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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 2015.

Visit [www.dfsa.ae](http://www.dfsa.ae) for more information about the DFSA.



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

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Vice President and Prime Minister of the UAE and  
Ruler of Dubai



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

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Deputy Ruler of Dubai and  
President of Dubai International Financial Centre

# 2015 OVERVIEW



THE FOLLOWING INFORMATION SUMMARISES 2015 ACTIVITIES AND STATISTICS.

## SUPERVISION

- 73 firms authorised in 2015
- 405 firms authorised in total
- 627 individuals authorised in 2015
- 1794 individuals authorised in total
- 17 Designated Non-financial Businesses and Professions (DNFBPs) registered in 2015
- 100 DNFBPs registered in total
- 16 auditors registered in total
- 126 risk assessments of Authorised Firms (AFs) conducted in 2015
- 15 risk assessments of Registered Auditors (RAs) conducted in 2015
- 21 licence variations granted in 2015
- 109 applications received in 2015 (91 AFs, 18 DNFBPs)
- 97 days to decide applications on average in 2015 (AFs only)

## POLICY AND LEGAL SERVICES

- 3 Rulebook amendments made by the Board in 2015
- 7 Sourcebook amendments made by the Chief Executive
- 16 rule-making instruments made by the Board in 2015
- 68 waivers and modifications granted in 2015

## ENFORCEMENT

- 264 complaints received in 2015
- 261 complaints finalised in 2015
- 9 enforcement actions taken in 2015
- 11 investigations carried over to 2015 from previous years
- 9 investigations commenced in 2015
- 15 investigations concluded in 2015
- 5 investigations carried through to 2016

## MARKETS

- 11 recognised member applications reviewed in 2015
- 5 recognised member applications approved in 2015
- 2 recognised body applications approved in 2015
- 63 recognised members in total
- 25 issuers admitted to the Official List of Securities (List) in 2015

## INTERNATIONAL RELATIONS

- 4 bi-lateral memoranda of understanding (MoUs) entered into in 2015
- 95 bi-lateral MoUs entered into in total
- 113 regulatory requests made by the DFSA to fellow regulators in 2015
- 61 regulatory requests received by the DFSA from fellow regulators in 2015
- 39 local and international delegations received by the DFSA in 2015

## HUMAN RESOURCES

- 135 employees as at 31st December 2015
- 84 regulatory staff, 31% of whom are UAE Nationals
- 5.97 days off-the-job training received per employee on average in 2015
- 18 employees undertook or completed further education studies in 2015
- 7% turnover of UAE National employees in 2015
- 29 UAE Nationals completed the Tomorrow's Regulatory Leaders (TRL) Programme since its inception in 2006

## OPERATIONS AND CORPORATE AFFAIRS

- 24 publications issued in 2015
- 4 consultation papers issued in 2015
- 12 consumer alerts issued in 2015
- 2 business units underwent process improvement activities in 2015
- 6 internal audits conducted, 4 by external parties and 2 conducted by Projects and Planning in 2015

## STATEMENT BY THE CHAIRMAN



SAEB EIGNER

CHAIRMAN

As I write my statement, we are witnessing the continued implementation of significant initiatives by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, whose vision it was to establish the DIFC and its regulator, the DFSA. These initiatives support and are supported by a commitment to make Dubai, and the UAE in general, the preferred place for people to live and work. The DFSA participates in this effort and will continue to work with the other DIFC bodies and Dubai government departments, as well as those in the wider UAE, to support this important programme.

Under the guidance of the DIFC President, His Highness Sheikh Maktoum Bin Mohammed Al Maktoum, Dubai's Deputy Ruler, the DIFC has continued to contribute to the increasing recognition of Dubai as the region's leading international financial hub. The DFSA is proud to have played a role in shaping the landscape of financial services regulation in the region and beyond. Over the past decade, the DFSA has taken many steps to develop a regulatory framework which matches the highest international standards and at the same time meets the needs of our regulated community.

As the Centre's regulator, we work closely with the DIFC Authority, under the leadership of the DIFC Governor, His Excellency Essa Kazim, in co-ordinating high level strategies and aligning long-term objectives. And here I should like to congratulate His Excellency on the Centre's achievement in exceeding a number of significant landmarks in 2015 in terms of companies registered, workforce employed and contribution to the growth of Dubai's GDP. I would also like, on behalf of the DFSA Board and its Committees, to thank the DIFC Higher Board for their consistent and most valuable support.

### SUPPORTING DUBAI'S ISLAMIC ECONOMY INITIATIVE

The Government of Dubai continues to build the Islamic Finance pillar within Dubai's Islamic Economy Initiative, co-ordinating and managing the efforts of different bodies to develop the Islamic financial services sector, through an expansion of its customer base and continued development of debt instruments conforming to Shari'a requirements.

The DFSA was able to provide an effective framework for listing Sukuk on the Centre's exchange, NASDAQ Dubai, based on our internationally benchmarked disclosure requirements, our fast-track approval processes, and our carefully developed approach as a Shari'a systems regulator. At the end of 2015, the nominal value of listed Sukuk on NASDAQ Dubai was approximately USD 34.06 billion, constituting over 90% of the total value of all listed Sukuk in Dubai. The notable AAA-rated Sukuk listings that took place during the year include those offered by Emirates Airlines with UK Government backing, the Government of Hong Kong, the Islamic Development Bank and the International Finance Corporation, a member of the World Bank group. The Government of Indonesia also listed USD 6 billion in sovereign Sukuk last year.

In keeping with our mission to deliver world-class regulation, the DFSA is considering further ways to enhance transparency and disclosure in fixed income securities trading, including in the over-the-counter market for Sukuk.

### DFSA'S LEADERSHIP PROGRAMME CONTINUES TO FOSTER UAE TALENT

Since the inception of our Tomorrow's Regulatory Leaders (TRL) Programme in 2006, more than 40 UAE Nationals have been given the opportunity to make a career in financial sector regulation. Some 31% of the DFSA's regulatory staff are now UAE citizens. Throughout 2015, the DFSA remained committed to support the development of UAE Nationals and extend its support to key local government entities as part of its Bawabaty ('My Gateway') initiative that was launched last year with the aim of meeting the needs of UAE Nationals wishing to pursue a career in financial services. Bawabaty seeks to provide lifelong learning opportunities for our local community and to support community education in financial services. We accommodated and welcomed a number of young UAE Nationals from different universities as internees in

diverse areas of the organisation, including Corporate Affairs, Finance, Business Excellence and Stakeholder Management.

During the year plans were made to devote additional resources to training and developing existing TRL Associates in 2016. Reflecting the theme of sustainability, our UAE Nationals will be encouraged to enrol in the Chartered Management Institute (CMI) Diploma in Management and Leadership to ensure a strong pipeline of talent in the DFSA and in Dubai for the years ahead.

### DUBAI AND ASIA ARE COMING CLOSER

For an international financial centre, our links with other centres remain critical. In most years, the DFSA Board holds a meeting in a major international market outside Dubai, providing an opportunity for the Board and members of the DFSA's senior management team to exchange ideas with peers from other jurisdictions. I continue to interact with my counterparts in some key jurisdictions, including the U.K., which remains the home jurisdiction of many of our regulated firms. Chinese and Indian banks in the DIFC are now, by a substantial margin, the two largest groups in terms of assets. This of course calls for efficient and effective working relationships and understanding between governments and regulators. In April, with my fellow Board Members, the Hon. Apurv Bagri and our Chief Executive, I met with the Governor of the Reserve Bank of India in Mumbai. As a number of India's largest banks are present in the DIFC, there is close regulatory co-operation between our two institutions. Our relationship is much valued.

The other increasingly significant jurisdiction for us is China and, as its natural gateway, Hong Kong. Dubai and Hong Kong have much in common. Both are crossroads for global trade, transport hubs, highly cosmopolitan cities and international financial centres. In September I met with Hong Kong's Financial Secretary, the Chairman of the Securities and Futures Commission, the Chief Executive of the Hong Kong Monetary Authority and the Chairman of the Hong Kong Exchanges. I also met my three counterparts in Beijing – the Chairs of the China Securities Regulatory Commission (CSRC), the China Insurance Regulatory Commission (CIRC), and the China Banking Regulatory Commission (CBRC), as part of my annual visits to China and Hong Kong.

In both Beijing and Hong Kong, China's 'One Belt One Road' initiative was a recurring topic-appropriately,

given that Dubai is an important hub for much of the trade between Asia and the Middle East and Africa. The DFSA's excellent relationships with the CBRC, CSRC, and CIRC in Beijing, as well as with Hong Kong's SFC and HKMA, help to provide regulatory support for this visionary project.

The very stability of Dubai, although economically beneficial, presents certain regulatory challenges, due to the inflow of capital and investment seeking a safe haven. We attach high priority in our work to anti-money-laundering and counter-terrorist financing measures.

As the DFSA is primarily a host regulator of large, internationally active financial institutions, obtaining timely, accurate and meaningful data is crucial to our risk analysis and supervisory work. At the DFSA, we take a proactive approach to communication with other regulators both bi-laterally and through Supervisory Colleges.

We are indeed fortunate to enjoy the continuous support and encouragement of Dubai's leadership and its Government entities. This has made possible the DIFC's achievements and our contribution to the success story of Dubai. The leadership's support for our operational independence has never faltered. This is an essential basis for an international regulator, giving confidence to other regulators and to firms who conduct, or intend to conduct, business in the DIFC. A key part of our role is to foster and maintain confidence in the financial stability of the DIFC by providing strong and fair regulation which meets high international standards

### DFSA BOARD

The DFSA extends its warm thanks to Mr Robert L Clarke who retired as a Board member at the end of the year. Mr Clarke served the DFSA from 2004 to 2015. His contribution, not just in the Board but as a member of the Legislative Committee, Remuneration Committee and the Nationals and TRL Working Group, will be missed. As a lawyer and former US Comptroller of the Currency, Mr Clarke's counsel as a member of the Board's Legislative Committee was most valuable. I thank him on behalf of both the Board and the DFSA Executive, but also on a personal level where I will miss his counsel and unfaltering support. He leaves us a friend and ambassador of the organisation.

I would also like to thank my fellow Board Members for their unfailing support, sound advice and collective expertise; they provide their time, expertise and advice, at times sacrificing their personal and professional time in the process. I of course also thank the DFSA Executive team and DFSA staff for their continued commitment to making the DFSA the internationally respected regulator that it is today. I am most fortunate to be chairing such a stellar organisation and board of directors.

We look forward to 2016 being another exciting, challenging and successful year.

SAEB EIGNER  
Chairman

## STATEMENT BY THE CHIEF EXECUTIVE



**IAN JOHNSTON**  
CHIEF EXECUTIVE

It is my pleasure to present a summary of our work in 2015 and to provide an indication of our expectations for 2016 and beyond. By any measure, 2015 was a busy year for the DFSA. In terms of licensing, 2015 was the busiest year since the financial crisis. This indicates the continued expansion of the DIFC, and its attractiveness as an international financial centre. With more than a decade of business, built on the foundations of a Common Law legal system and sound regulation, the DIFC continues to grow in terms of increasing numbers of new firms and increased depth of existing Firms. The DFSA now regulates more than 400 financial Firms.

Bank balance sheets, premium income in insurance, managed fund activity and business on DIFC exchanges all increased in 2015. The size and maturity of the DIFC and the significant activity levels meant increased activity for the DFSA in authorisation and in supervisory and enforcement activity. Increased activity levels and continued growth confirms the relevance of the strategic themes highlighted in our 2015-2016 Business Plan. In that plan, published last year and available on our website, we explained how we would build a 'sustainable' DFSA – that is, one which can respond to the increasing breadth and scale of regulated activity.

Our plan mentioned that we would ensure we could respond to 'early warning' signals through better use of the data available to us. We have implemented a Business Intelligence tool in Supervision and we are indeed finding that this allows us to make more intelligent use of the rich data provided to us through, for example, Firms' Prudential Returns.

I mentioned in last year's report that we would continue to allow the Rulebook to 'bed down', but ensure that we would meet our commitments to implementing international standards. In contemplating Rulebook development we always consider how to make it easier for Firms to do business, while not compromising on investor protection. To this end, in 2015 we introduced changes to our client classification regime and to our funds regime. We also consulted on changes to our insurance regime and responded to the excellent set of comments received. We expect the new Rules to come into effect in 2016.



In 2015, the DFSA undertook significant enforcement activity. As the financial centre has grown and activity levels increased, we have seen the wide array of supervisory and enforcement activity one would expect in a maturing market. Where this requires us to use our enforcement powers to maintain the integrity of markets and financial services in the DIFC, we will do so. You will have noted that, in a number of our enforcement actions, we have required or agreed remedial action with Firms rather than focus only on penalties. It is often the case that misconduct stems from poor governance. It is for this reason that we have, on a number of occasions, required or agreed changes to Firm governance with a view to improving behaviour and avoiding problems in the future, rather than focusing only on penalties and, when relevant, compensation to investors.

As I look ahead there are several issues that we see developing over the next year or two. Macro-economic conditions at the global level and across many emerging markets remain challenging, not least as many commodity prices, including oil, remain at lower levels. The macro-economic environment will, of course, continue to influence the opportunities available for firms in the DIFC and the DFSA will calibrate its regulatory approach in response to the environment in which we operate.

In addition to challenging macro-economic conditions, around the world the use of financial technologies is growing and, in many cases, disrupting longstanding business models. We are working to assess how Fintech ought to be accommodated in the DIFC and what changes to our Rulebook might be required. As you would expect, we will co-operate closely not only with other DIFC authorities, but with the Dubai Government and the Federal regulators on this issue.

Islamic Finance is another area of continued focus for us, given the priorities of Dubai and the continued growth of Islamic Finance in the region and beyond. Again, this is an area of close co-operation with other authorities. In closing, may I thank the large number of DIFC stakeholders who have participated in our various consultation processes. From SEO Roundtables to responses to Consultation Papers, we benefit from this input and we will continue to be open in our approach and to engage widely. I also wish to thank my DFSA staff and Board colleagues for their tremendous work and support.

IAN JOHNSTON  
Chief Executive





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# 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 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 has also accepted a delegation of powers from the DIFC Registrar of Companies (RoC) 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.

# 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.

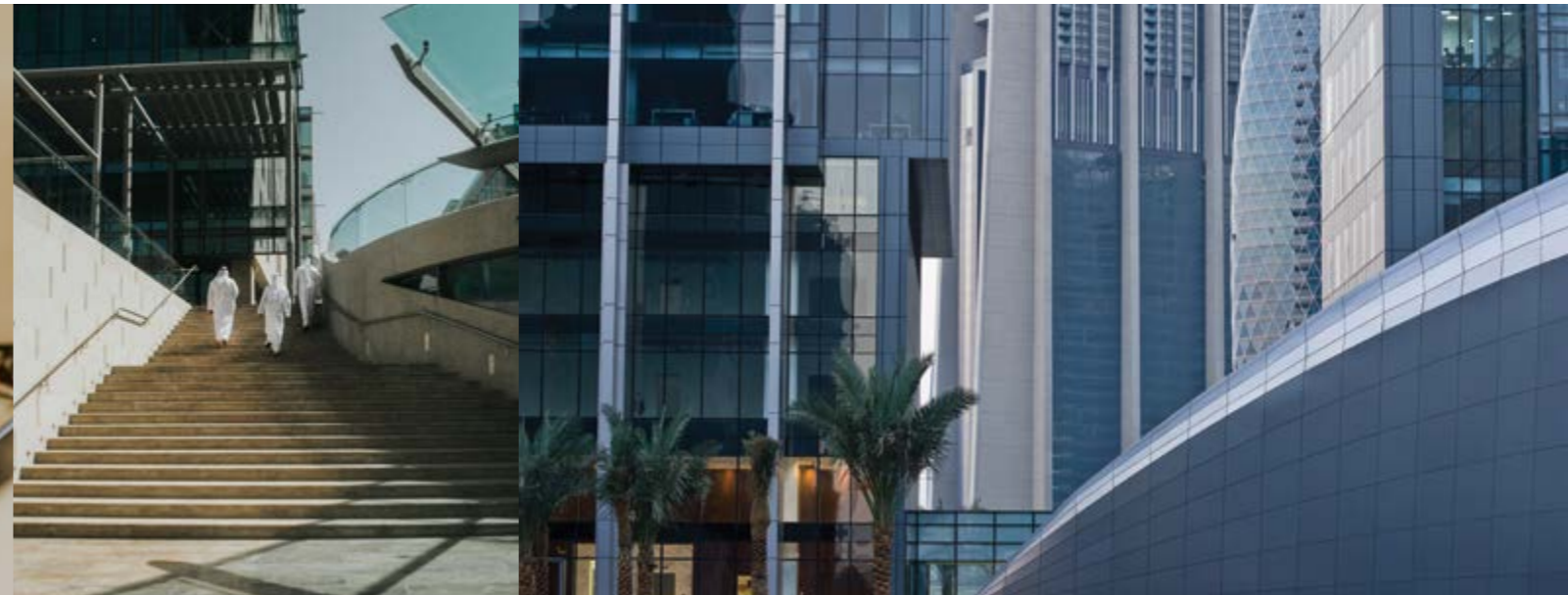
## DFSA OBJECTIVES



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.

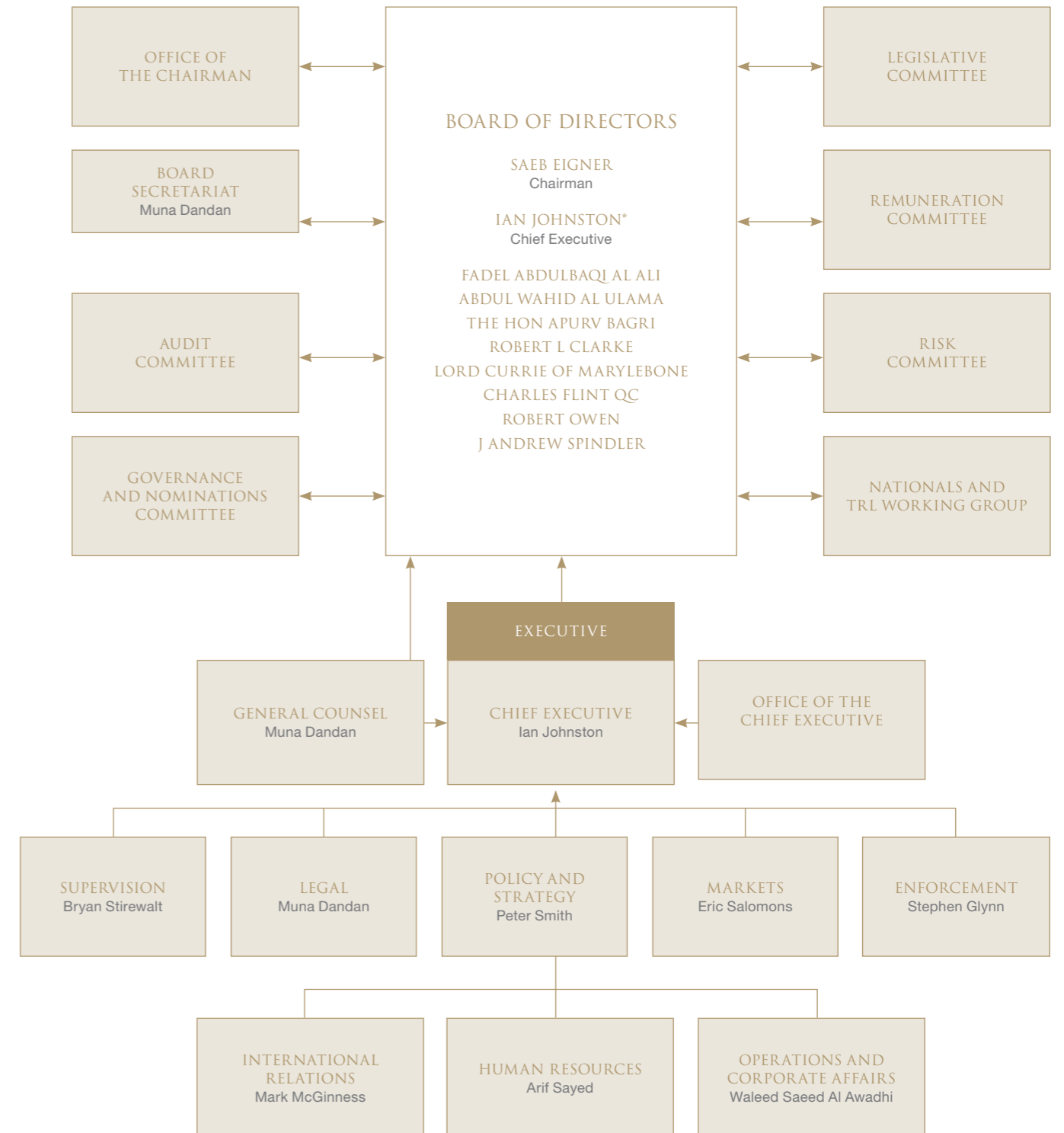
The Code sets appropriate international best practice standards in relation to the use of regulatory information, conflicts of interest, and the giving and receiving of gifts and benefits. It is designed to complement the conflicts of interest and confidentiality provisions in the Regulatory Law.

The Code includes procedures for the management of perceived conflicts and potential conflicts relating to close relationships between employees and consultants of the DFSA and of other DIFC agencies.

The DFSA Board of Directors has adopted a similar Code of Values and Ethics appropriate for members of the Board, committees and tribunals.

The Board's Code is available on the DFSA website.

## DFSA GOVERNANCE MODEL



\* Ex-officio  
As at 31<sup>st</sup> December 2015

Waleed Saeed Al Awadhi replaced Gary Wallis as Head of Operations as of June.

Arif Sayed replaced Gary Wallis as Head of HR as of September.

Muna Dandan replaced Michael Ridgeway and Errol Hoopmann as General Counsel/Board Secretariat/Head of Legal as of September.

## 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 Financial Markets Tribunal (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. All Board Directors have entered into a service agreement with the DFSA which details terms of appointment, duties, remuneration and expenses, confidentiality, conflicts of interest, term and termination and indemnities.

As at 31st December 2015, the Board consists of 10 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 policy excludes cover in the event a Board Director is proven to have acted in bad faith.

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 (LegCo), Governance and Nominations Committee, Audit Committee, Risk Committee and the Remuneration Committee (RemCo). 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 2015

	COMMITTEES						
	BOARD	REMUNERATION COMMITTEE	LEGISLATIVE COMMITTEE	GOVERNANCE AND NOMINATIONS COMMITTEE	AUDIT COMMITTEE	RISK COMMITTEE	TRL AND NATIONALS WORKING GROUP
SAEB EIGNER	6/6	2/2	2/4	1/1	1/4*	0/2	1/2
IAN JOHNSTON	6/6	2/2	3/4	0/1	3/4	1/2	1/2
ABDUL WAHID AL ULAMA	6/6		4/4			2/2	2/2
FADEL ABDULBAQI AL ALI	6/6	2/2			4/4		2/2
J ANDREW SPINDLER	6/6			1/1	4/4	2/2	2/2
LORD CURRIE OF MARYLEBONE	5/6	2/2		1/1			2/2
CHARLES FLINT QC	6/6		4/4			2/2	
ROBERT L CLARKE	6/6	2/2	4/4				2/2
ROBERT OWEN	6/6		4/4			2/2	
THE HON APURV BAGRI	6/6	2/2		1/1	4/4		

\* The Chairman is not a member of the Audit Committee, his attendance is at the request of the Audit Committee's Chairman.



## DFSA BOARD MEMBER PROFILES

(AS AT 31<sup>ST</sup> DECEMBER 2015)



### 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 since 2007.

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 1990's.

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 of 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 Chief Executive Officer (CEO) of one of Australia's major trustee companies. During that time, he played a leading role in the trustee industry and served on the National Council of the Trustee Corporations Association.

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

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



### FADEL ABDULBAQI AL ALI

Fadel Abdulbaqi Al Ali is the Chief Executive Officer of Dubai Holding, a leading investment conglomerate with operations in 24 countries employing over 22,000 people.

Mr Al Ali plays a significant role in shaping Dubai Holding the strategy of which manages a AED 130 bn portfolio of assets and supports the strong development of Dubai's non-oil economy across sectors including; hospitality, media, real estate, information and communications technology, education and financial services.

Mr Al Ali is Chairman of the Board of Dubai Properties Group, Dubai International Capital and Dubai Group. He also serves on the Boards of du (Emirates Integrated Telecommunications) and Jumeirah Group.

Mr Al Ali has considerable experience in the finance industry which includes several years at Citibank before his move to Dubai Holding. He graduated from the University of Southern California with a Bachelor of Science in Industrial and System Engineering. He also holds a Certificate of Finance from the American University of Sharjah.



### 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 is an independent non-Executive Director of the Dubai Gold and Commodities Exchange since August 2012.

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 – 2015 he was a Board member of the Commercial Bank of Dubai PJSC.

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





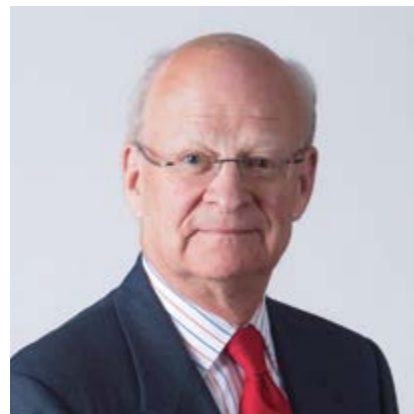
### THE HON APURV BAGRI

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 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 and current Board member 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.



### ROBERT L CLARKE

Robert L Clarke has extensive experience with banking laws and regulations and bank supervision in the United States (US) and internationally.

Mr Clarke founded the Financial Services Group at Bracewell & Giuliani LLP in 1973. He was appointed by President Ronald Reagan to serve as the Comptroller of the Currency and at the end of his first term was re-appointed by President George H W Bush. He served as Comptroller from 1985 to 1992 and during his tenure the agency supervised about 5,000 nationally chartered commercial banks. During that time, he also served as a member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC). In March 1992, he re-joined Bracewell & Giuliani LLP as Senior Partner and head of its financial services practice. Mr Clarke has served as a consultant and advisor to a number of countries on their bank supervisory operations.

Mr Clarke has an LLB from Harvard Law School and a Bachelor of Economics from Rice University.



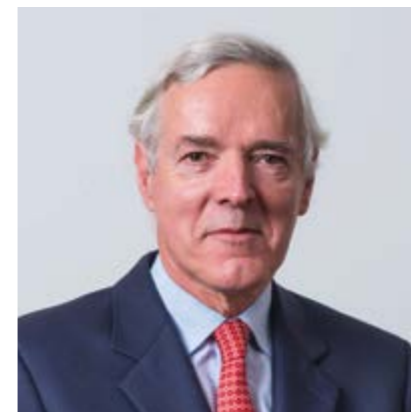
### LORD CURRIE OF MARYLEBONE

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 United Kingdom's (UK) competition body that has replaced the Office of Fair Trading and the Competition Commission. As a result of this, he has 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.



### 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.



## 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.



## 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.



## DFSA BOARD COMMITTEES



### 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, the Ruler of Dubai.

#### LegCo members were:

- Charles Flint QC (Chairman)
- Abdul Wahid Al Ulama
- Robert L Clarke
- Robert Owen
- Saeb Eigner \*
- Ian Johnston \*
- Muna Dandan (Executive Member)\*
- Peter Smith (Executive Member)\*
- Michael Blair QC (external member)\*\*
- Peter Casey (external member)\*\*

\* Ex-officio

\*\* Refer to the DFSA website for their corporate profiles

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 highlighted because they are related to international regulatory policy and standard-setting.

In 2015, LegCo proposed revisions to the DFSA's regime for client take-on and classification and to the regulatory fees charged to Authorised Market Institutions to participants in those markets, also to the functions the DFSA carries out as the Listing Authority. LegCo also proposed revisions to the DFSA's funds regime, including amendments to the property funds regime and the introduction of Money Market Funds.

Other proposals were approved which seek to review the insurance-related activities that can be carried out in or from the Centre and the international standards for recovery and resolution of financial institutions and infrastructure to establish what regime would be appropriate for the DIFC.

### 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 Al Ali
- The Hon Apurv Bagri
- Waleed Saeed Al Awadhi (Executive Member)
- Downey Keegan (Executive Member)

During 2015, the Audit Committee oversaw the external audit of the DFSA's financial statements for 2014. In the course of 2014 the DFSA made a decision to prepare its accounts under International Public Sector Accounting standards (IPSAS) and the Audit Committee oversaw that change. The DFSA received an unqualified audit opinion from its auditors in respect of the financial statements for the year ended 31 December 2015. The Committee engaged third parties to conduct independent reviews of the DFSA Employee End of Service Gratuity Trust and the DFSA's Authority Matrix. The Committee also oversaw an independent audit of the Information Technology, Security and Penetration programme and an internal audit of the effectiveness of the DFSA's Business Continuity Plan. Both of these were conducted by third parties. In addition the internal audit function conducted an audit of the implementation of Thematic Supervision within the DFSA. As a result of the DFSA's on-going self-examination, the Committee made certain recommendations for improving programmes. In anticipation of the coming year, the Committee oversaw the preparation and approval of the 2016 DFSA budget and recommended some changes in presentation to incorporate more meaningful comparisons in the presentation.

### RISK COMMITTEE

The primary function of the Risk Committee remains to assist the Board in identifying and assessing external and regulatory 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 potential and actual risk mitigation.

#### Risk Committee members were:

- Robert Owen (Chairman)
- Abdul Wahid Al Ulama
- Charles Flint QC
- J Andrew Spindler
- Saeb Eigner \*
- Ian Johnston \*
- Peter Smith (Executive Member)

\* Ex-officio

During 2015 the Risk Committee held three meetings and discussed the following main matters:

- a comprehensive review of the Board's regulatory risk tolerance levels, based on an assessment of the probability and impact of numerous scenarios, together with a written statement of risk tolerance, to communicate this within the DFSA;
- an update of the overall risk inventory, prepared by the DFSA Executive, identifying the highest priority (non-firm specific) risks that the DFSA faces, the mitigating actions already in hand or planned, the level of residual risk the DFSA is exposed to, and whether different strategies should be adopted to mitigate those risks where a significant level of residual risk remains; and
- the Board's view of the top few broad risks facing the DFSA, designed to guide decision making by the Executive.

The risk tolerance, including the statement, risk inventory, and the Board's view of the top few risks were later discussed and approved by the Board as inputs to the DFSA's strategic planning process for 2016 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 identify individuals qualified to become Board members (including the Chief Executive); 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

Reflecting the Board's commitment to transparency, the Committee recommended that the DFSA publish the Board's Code of Values and Ethics and a summary of outcomes of each Board meeting. The committee also considered the corporate governance implications of existing data protection and confidentiality policies.

As a result of those discussions, new practices were approved to tighten the security of certain communications.

An external review of the performance of the Board and its committees was conducted by Egon Zehnder towards the end of 2015 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 2015 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 Al Ali
• The Hon Apurv Bagri
• Robert L Clarke
• Saeb Eigner *
• Ian Johnston *
• Arif Sayed ( Executive Member)

\* Ex-officio

During 2015, 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 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.

#### NATIONALS AND TOMORROW'S REGULATORY LEADERS (TRL) WORKING GROUP

The 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 2015, membership of the Working Group included selected Board members and members of senior management as follows:

Nationals and TRL Working Group members were:
• J Andrew Spindler (Chairman)
• Fadel Al Ali
• Abdulwahid Al Ulama
• Robert L Clarke
• Lord Currie of Marylebone
• Waleed Saeed Al Awadhi (Director, Operations and Corporate Affairs)
• Muna Dandan (General Counsel and Dean of the TRL Programme)
• Arif Sayed (Head of Human Resources)

In 2015, 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. A UAE National, Arif Sayed, also joined the HR team as Head of Human Resources.

The Working Group endorsed the HR Strategy to remodel the TRL Programme to reflect the maturity of the DIFC and the changing knowledge requirements and needs of entry-level regulators. This project began in the last quarter of 2015 and the Working Group will continue to oversee the planned outcomes.

The Working Group bid farewell to Michael Ridgeway, the outgoing General Counsel, who had presided as Dean of the TRL Programme from 2012 until his retirement in 2015 and thanked him for the excellent contribution and experience he had brought to the programme over his tenure as Dean. In his place, the Working Group welcomed the new Dean, Muna Dandan, who replaced Michael as General Counsel. Muna brings to the role her experience of working with UAE Nationals from Barclays Bank, where Muna was the Founder and Chairwoman of the Barclays Community Initiative.

For the coming year, the Working Group has recommended focusing additional resources on training and developing existing TRL Associates. With this and the theme of sustainability in mind, 2016 will see the roll out of the Chartered Management Institute (CMI) Diploma in Management and Leadership, targeting UAE Nationals as well as others to ensure a strong pipeline of leadership talent in the DFSA for the years ahead.

#### FINANCIAL MARKETS TRIBUNAL

The FMT is the independent financial services tribunal with jurisdiction to review regulatory decisions, determine breaches of DFSA administered legislation, and conduct related 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 were amended with effect from 21 August 2014 following amendments to the Regulatory Law. Any decision of the tribunal may be appealed to the Courts on a point of law.

FMT members were (with effect from August):
• His Honour David Mackie CBE QC (President)**
• Ali Malek QC**
• Bankim Thanki QC**
• Jeremy Gauntlett SC**
• John L Douglas**
• Patrick Storey**

\*\* Refer to the DFSA website for their corporate profiles



## DFSA EXECUTIVES

(AS AT 31<sup>ST</sup> DECEMBER 2015)

### 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.



The Supervision Division includes prudential- and conduct-oriented oversight of a variety of financial service providers, including: commercial banks, investment banks, insurance companies, wealth managers, advisory services and representative offices. The Supervision Division also oversees registered auditors and credit rating agencies. The Supervision Division spearheads the DFSA's efforts to combat money laundering, terrorist finance and other forms of illicit finance with respect to the regulated entities mentioned above, as well as with other designated non-financial businesses and professions operating in the DIFC.

He has extensive experience in the financial regulatory sphere, in both 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 his attention on emerging markets development programmes, including management of large-scale and multi-faceted projects in Poland, Ukraine, Cyprus and Kazakhstan. These projects related to a wide array of topics including financial sector development, risk management policies and practices, AML, systems and controls and methods of supervising complex financial conglomerates.

Mr Stirewalt serves as the Co-Chair of the Basel Consultative Group (BCG) which provides a forum for deepening the Basel Committee's engagement with supervisors around the world on banking supervisory issues. The BCG facilitates broad supervisory dialogue with non-member countries on new Basel Committee initiatives early in the process by gathering senior representatives from various countries, international institutions and regional groups of banking supervisors that are not members of the committee.



### MUNA DANDAN

Managing Director, General Counsel and Secretary to the Board and Head of Legal Affairs, joined the DFSA as of 28 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 Department 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 program within the DFSA, the Tomorrow's Regulatory Leaders Program (TRL), 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 with international law firms in both London and Hong Kong.



### PETER SMITH

Director, Head of Policy and Strategy, joined the DFSA in June 2012 as Head of Policy, then part of the Policy and Legal Services Division, to lead the further development of the DFSA's policy framework. He joined the Executive Committee in early 2015.

Mr Smith is also responsible for overseeing the DFSA's strategic planning, including its annual business planning cycle, and for the organisation's approach to setting its risk tolerance and managing non-firm specific risks. He is an alternate member of the IAIS Technical Committee and is also involved in IAIS working groups, most recently working on improving the Insurance Core Principles.

Mr Smith has some 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 covered a range of policy areas, supervision, bank resolution, internal audit and risk management. From 2003 to 2007 Peter was seconded to the European Commission in Brussels, working on issues including banking, the supervision of financial groups, and the development of supervisory structures within the European Union.

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



### WALEED SAEED AL AWADHI

Director, Operations and Corporate Affairs, joined the DFSA in March 2013 and is an experienced professional who has led key functions in financial services, Islamic banking, real estate investment and development, media and telecommunication industries

Through his international and local responsibilities, he has developed expertise in strategy and market intelligence, sales and marketing, communications, project management, product development, business development, business excellence and knowledge management.

Before joining the DFSA, Mr Al Awadhi worked as Executive Director of Marketing and Communication at Abu Dhabi Media, Head of Priority Banking at Emirates Islamic Bank and Deputy Head of Retail Banking Group and Deputy Chief Marketing Officer at Dubai Bank where he led Royal Banking and Wealth Management, Branding, Corporate Communications and Customer Services Enhancement.

He has also been Global Director of Marketing and Sales and Head of Research Intelligence at Sama Dubai (a Dubai Holding company), where he was responsible for more than 20 international markets spanning the Far East, Australia, Middle East, North Africa, Turkey and the Levant.

Previously, Mr Al Awadhi worked as Key Accounts Manager in the Top Corporate Customers Department at Emirates Telecommunication Corporation.



### ARIF SAYED AL KAZIM

Director, Head of Human Resources as of September 2015. Mr Arif Sayed Al Kazim, a UAE National, joined the DFSA on 28 September 2015 to head the Human Resources Division in the DFSA.

He has more than 27 years of extensive experience in Human Resources in the financial industry. Prior to joining the DFSA he held a number of senior positions including Manager Personnel and Administration in Emirates Bank International, International HR Manager MESA and Head of HR in ANZ Grindlays Bank, UAE and MEA for ABN Amro. Royal Bank of Scotland. He has also worked as Director, Labour Welfare and Recruitment in Black and Decker and lately in Arabtec Construction.

He holds a Higher National Diploma in Business Studies, a CNAA Post Graduate Diploma in Management Studies (DMS) and a masters degree in Manpower studies, all from the UK.



## ERIC SALOMONS

Director and Head of Markets, joined the DFSA in 2007 with a background in derivative and securities markets. For 17 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 the 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 where he was responsible for regulating market infrastructures, 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.



## MARK MCGINNESS

Director, Head of International Relations, joined the DFSA in August 2005 to establish the DFSA's office of International Relations. He leads, co-ordinates and advises on DFSA's international activity, which includes responsibility for its network of MoUs.

He has drafted and negotiated more than 80 MoUs, underlying the DFSA's commitment to cross-border co-operation. For three years from April 2011, he assumed the additional role of Secretary to the DFSA Board.

Mr McGinness has more than 30 years of regulatory experience. He worked as a State Prosecutor before joining Australian Securities and Investments Commission in 1991. 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 Australian Securities and Investments Commission's representative for IOSCO's Implementation and multi-lateral MoU (MMOU) task forces and its Enforcement Standing Committee.

Mr McGinness is currently a member of IOSCO's Assessment Committee, sits as a lead validator on the multi-lateral MoU Signatories Working Group of the IAIS and also represents the DFSA at the audit oversight standard-setter, the International Forum of Independent Audit Regulators. In 2004 and 2013, he was a member of the International Monetary Fund's (IMF) Financial Sector Assessment Programme (FSAP) team.

Mr McGinness holds a Bachelor of Arts and a Bachelor of Laws (University of Queensland) and is admitted as a barrister in Australia.



## STEPHEN GLYNN

Senior Director and Head of Enforcement, has extensive experience in the regulation of governance, financial and capital markets, financial services and products and listed and unlisted companies. As a member of the DFSA's executive management team he contributes to the strategic direction and management of the DFSA.

Mr Glynn's responsibilities include leading the enforcement practice, regulating and enforcing compliance with governance, prudential and conduct of business obligations in and from the DIFC. He has extensive experience applying administrative, civil and criminal remedies in domestic and cross-border regulation. His particular areas of expertise include corporate governance, capital markets, mutual funds, compliance, risk management, fraud, anti-money laundering, securities and financial services regulation.

He recently led the DFSA's first thematic review of the corporate governance of financial institutions in the DIFC.

Mr Glynn is presently a member of Committee 4, a technical committee of the International Organisation of Securities Commissions (IOSCO), an association of organisations that regulates the world's securities and futures markets. He recently steered a Committee 4 initiative to identify regulatory strategies and best practices, for securities and financial services regulators globally, to deter misconduct in securities and financial services markets. He is also a member of IOSCO's Screening Group, which is responsible for screening jurisdictions seeking acceptance as an ISOCO MMoU signatory.

He previously held various senior positions with the Australian Securities and Investments Commission, having responsibility for several divisions including, markets and investments, managed investments, financial services regulation, corporate investigations and financial analysis. As a companies and financial services regulator in Australia, he was responsible for a range of regulatory actions that prosecuted governance failures in financial institutions and listed and unlisted companies.

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

He has Bachelors and Master's degrees from Australian universities.







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## 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

In September, the Policy and Legal Services functions split. The split resulted in the creation of the Policy and Strategy Division and the joining of Legal Services with the General Counsel functions.

The General Counsel is responsible for managing and supervising the Legal Division which provides advice

and legal opinions on matters affecting the DFSA. This includes advising on the Laws and Rules administered by the DFSA as well as on the application of other legislation and associated jurisdiction issues. The Legal 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 Legal Division also advises on contractual issues and provides litigation management and advice for the DFSA on matters before the DIFC Courts or the Financial Markets Tribunal.

The General Counsel 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 programmes.

### 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 authorised Firms operating in or from the DIFC. The Division also monitors the work of registered auditors and credit rating agencies (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 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 international levels. Members also participate in several Supervisory Colleges of 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 Dubai Mercantile Exchange and NASDAQ Dubai in the DIFC, the recognition of members, market operators and clearing houses located outside the DIFC and the operation of a Listing Authority for companies proposing to offer and list securities in the DIFC. It maintains the DIFC's Official List of Securities.

### 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.

## KEY DFSA-WIDE INITIATIVES



### INTERNATIONAL RELATIONS

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 the 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 Tomorrows Regulatory Leaders Programme (TRL).

### THE OPERATIONS AND CORPORATE AFFAIRS DIVISION

The Division comprises Finance, Information Technology, Administration, Corporate Communication, Projects and Planning and 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.

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 2015.

## STANDARD-SETTERS

### DFSA'S INVOLVEMENT

The DFSA operates a regulatory regime that embraces international standards and provides DIFC firms with a stable, predictable and globally-recognised framework to operate in.

As in previous years, a key aspect of the DFSA's work is not just to adopt the 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 in 2015 included our direct participation in their work, with the DFSA acting as:

- observer in the Basel Committee on Banking Supervision (the Basel Committee);
- member of the Technical Committee of the International Association of Insurance Supervisors (IAIS); and
- member of the Steering Group of the International Organisation of Securities Commissions (IOSCO) Growth and Emerging Markets (GEM) Committee.

Throughout 2015, the Basel Committee, IAIS and IOSCO have come closer to completing policies and new standards in response to the global financial crisis, with stimulus and oversight from the G-20 and in concert with the Financial Stability Board (FSB). This has included revision by IOSCO and the IAIS of their Principles and Methodology for measuring their members' supervisory effectiveness and working on standards for resolution of global systemically important financial institutions (aka the 'too-big-to-fail' firms), as well as enhancements to their existing Multi-lateral MoU.

### 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 offers members a window to provide feedback to the Basel Committee and its various Task Forces and Working Groups on new initiatives. During 2015, the BCG released papers dealing with financial inclusion and the application of the Basel Core Principles for Effective Banking Supervision.

In 2015, the Basel Committee continued to strengthen the international regulatory framework for global banks and has made substantial progress towards finalising its post-crisis reforms, including measures to reduce excessive variability in risk-weighted assets. Among its numerous publications, most relevant to the DFSA were

final standards on corporate governance, liquidity risks, disclosure requirements, and guidelines for identifying and dealing with weak banks. It also developed, jointly with the FSB, standards on total loss absorbing capacity (TLAC) for global systemically important banks with a view to facilitating resolution without the need to use public funds. The Basel Committee has also consulted on the standardised approach for credit risk, operational risk, interest risk in the banking book and issues related to a bank's trading book.

### INSURANCE

In the insurance sector, the Chief Executive represents the DFSA on the Technical Committee of the IAIS. As part of the IAIS's contribution to increasing financial stability, it continued to focus on four important areas:

- developing standards in the context of the Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIGs). During 2015, both quantitative and qualitative field testing of the proposed framework took place, with volunteer IAIGs, with a view to final calibration and formal adoption of ComFrame for 2019;
- introducing the risk-sensitive higher loss absorbency (HLA) standard which, together with the Basic Capital Requirement, adopted in 2014, are applicable to global systemically important insurers;
- developing the Insurance Capital Standard, which will be applicable to a broader range of insurers, with this first version to be adopted, a part of ComFrame, for 2019; and
- developing standards on resolution of insurers including consideration of strengthening their loss absorbing capacity.

Further, the DFSA is also a member of the Supervisory Material Review Task Force, which began its work in 2015, with a mandate to review the drafting of several of the Insurance Core Principles and oversee the consistency of the IAIS's supervisory publications.

In addition, the DFSA's Director, International Relations, is a member of the IAIS Multi-lateral MoU Signatories Working Group, which assesses applications to become a signatory to the IAIS Multi-lateral MoU, another important IAIS initiative.

### SECURITIES AND MARKETS

In the securities sector, as a member of the Steering Group of IOSCO's GEM Committee, the DFSA's Chief Executive sits on the Technical Policy Group, sharing the outcomes of the IOSCO Policy Committees with GEM members, identifying and highlighting issues affecting emerging markets. As part of this work, the DFSA has co-drafted, together with the Turkish and Malaysian regulators, an IOSCO report on facilitating SME financing through capital markets in emerging markets. An important aspect of this task involved analysing the DIFC experience with SME financing and using it to advise on best practices.

The DFSA also participates in three other IOSCO committees:

- The Head of Enforcement is a member of the Committee on Enforcement and Cooperation (Committee 4) and the Screening Group. In 2015, the IOSCO Board published Committee 4's Report on Principles for Credible Deterrence in Securities Regulation. Work on this report was led by the DFSA, and the report was presented by IOSCO at its annual meeting in London as a reference tool to be used by regulators internationally to enhance legal and regulatory frameworks. In addition to its work to screen applicant jurisdictions seeking to become signatories to the IOSCO Multi-lateral MoU, the Screening Group has been working on the development of an Enhanced Multi-lateral MoU. The Enhanced MoU will set new standards for international regulatory co-operation which will augment regulatory co-operation and effectiveness globally;
- The DFSA's Head of Markets is a member of the Commodity Futures Markets Committee (Committee 7). In 2015, Committee 7 focused on studying the impact of commodity storage facilities on the price formation on derivatives contracts listed on exchanges, with the work expected to be completed in 2016. Committee 7 also continued monitoring the implementation of the IOSCO Principles for price reporting agencies; and
- The Director, International Relations, is a member of the Assessment Committee and Implementation Task Force Sub-Committee, which reviews and updates the IOSCO methodology to ensure it reflects IOSCO standards and is appropriate for effective securities regulation. Significant progress has been made on a revision of both the Principles and Methodology, the first since 2012.

### ISLAMIC FINANCE

The DFSA actively contributes to the development of the Islamic finance industry in general and 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. The DFSA Chief Executive is a member of the IFSB Council and the DFSA's Head of Islamic Finance served (until his resignation in the summer of 2015) as a member of the IFSB's Technical Committee and the Deputy Chairman of the IFSB's Working Group tasked with the development of core principles for the regulation of Islamic finance. The DFSA is also represented at the IFSB's Working Groups on Governance for Takaful Undertakings and on Islamic Capital Market (ICM). The latter group was created in 2015 to consider standards for an effective disclosure regime for ICM products. With the increased regulatory focus on investor protection, robust disclosure and transparency standards the working group aims 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.

### OTHER STANDARD-SETTERS

Although the DFSA's main efforts in the area of international engagement were devoted in 2015 to participation in the activities of international standard-setters, as discussed earlier, the DFSA also contributed to the work of other standard-setters, particularly in the field of AML, through our involvement with the Financial Action Task Force, and audit, through our representation on the International Forum of Independent Audit Regulators.

The DFSA also contributed to the work of the Organisation for Economic Co-operation and Development (OECD) Task Force of MENA (Middle East and North Africa) Stock Exchanges for Corporate Governance and the MENA-OECD Capital Markets Task Force.

The DFSA has also actively contributed to the work of the Organisation for OECD Global Forum on Exchange of Information for Tax Purposes by participating in the peer-review of our legal framework and practices.

## 2015 DIVISIONAL INITIATIVES



### TOMORROW'S REGULATORY LEADERS (TRL) PROGRAMME

In 2015 the focus for UAE National development has been excellence and this continues into 2016. Following a full and comprehensive review of the TRL Programme in 2014, work began on developing the new look of the Programme.

In the lead-in to the 10th anniversary of the TRL Programme our objective is to re-focus it to reflect the learning needs of Nationals and the DFSA as the DIFC grows and matures. A significant number of our employees are working to develop new instructional materials based on modern techniques of adult learning. Their role is to establish the critical learning outcomes for our new recruits and develop the training modules and practical experiences that support these.

A new Dean has been appointed to the Programme. In January 2016, Muna Dandan, the DFSA's General Counsel, took over this important advisory role. Muna will support the TRL Team as well as mentor some of our UAE National employees. Muna also has a seat on the DFSA's Nationals and TRLs Working Group. The Working Group includes several Board Members and members of the DFSA's senior management.

During this period the TRL Programme has continued to train and develop the UAE National graduates who, in the second year of the Programme, have reinforced their training with on-the-job experience across the regulatory Divisions as well as commercial experience with notable financial institutions inside and outside the DIFC.

Looking into the future, the DFSA is seeking to build its Emirati leadership capability. To this end we will launch the Chartered Management Institute Diploma (CMI) in Management and Leadership in Q1 of 2016. This initiative will contribute to our strategic theme of sustainability for the organisation and build UAE Nationals to become tomorrow's regulatory leaders.

Finally, the DFSA will continue to look at grass roots talent in leading universities. In January 2016 we launch our search for graduates to join the TRL Programme commencing September 2016.

### LEGAL DIVISION - GENERAL COUNSEL / BOARD SECRETARIAT

Formerly part of the Policy and Legal Services Division (P&L), Legal Services separated from P&L and merged with the Office of General Counsel and Board Secretariat to form a new Legal Department in late 2015. During 2015, the Legal team delivered in-house legal services relating to drafting of the legislation in all of the policy initiatives set out under the Policy and Strategy divisional initiatives that were enacted or made following 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 Division is also responsible for managing the DFSA Rules and Waivers Committee and for providing support, paralegal and legal services to the Decisions Steering Committee and the Decision Making

Committee. In regard to litigation, in the second half of 2015 the Legal team was, among other matters, involved in responding to the first appeal of a DFSA decision before the newly constituted Financial Markets Tribunal (FMT).

The General Counsel provided advice to the Board of Directors and its committees, as well as the Executive, regarding governance, statutory obligations, reporting, administrative procedures and legal risks faced by the DFSA in 2015. The General Counsel also gave presentations on ethical conduct and integrity for all DFSA employees.

The General Counsel also managed the review and renewal of various contracts, permits and insurance policies and served on the DIFC Courts' Users Committee.

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

Formerly part of the Policy and Legal Services Division, the Policy and Strategy Division separated from the Legal Services team in late 2015.

### POLICY

During 2015, the Policy and Strategy Division completed a number of policy projects, including:

- making significant amendments to the DFSA's Rules for client take-on and classification consulted on in Consultation Paper 97. The new Rules came into effect on 1 April. As well as publicising the new Rules, the Division prepared a Questions and Answers document, which was published on the DFSA website. This document will be updated as further questions are received from Firms and their advisers;
- introducing a number of changes to the regulatory fees charged to AMIs, to participants in those markets, and for the functions the DFSA carries out as the Listing Authority (consulted on in Consultation Paper 100 (CP100)). These changes largely came into effect on 1 August, with the remainder having effect from 1 January 2016; and
- enhancing the DFSA's funds regime. This included amendments to the property funds regime and the introduction as a type of specialist fund of Money Market Funds (consulted on during 2015 in Consultation Paper 102 (CP102)). These changes take effect on 1 February 2016.

The Division also worked with colleagues to publish two consultation papers on miscellaneous matters during 2015. The Rules from the first of these consultations, CP101, were made by the DFSA Board in December and take effect on 1 February 2016. The second such consultation, Consultation Paper 104, was issued in December.

Also during 2015, work was undertaken on the insurance activities that can be carried out in or from the DIFC, resulting in the publication of Consultation Paper 103 in November. Additionally in the insurance sector, Lloyd's of London opened its office in the DIFC formally on 11 March. Policy and Strategy staff continue to engage with Lloyd's to discuss their activities in the DIFC and appropriate regulation for these activities.

The team has continued to support the DIFC Authority in its review of the DIFC Companies Law (DIFC Law No. 2 of 2009). The aim of the review is to bring the Law more up-to-date and make it both more effective and more user-friendly.

Policy work is in progress on a wide range of other topics, with four main drivers. Firstly, issues arising from the global policy response to the financial crisis, such as looking at an appropriate recovery and resolution regime for the DIFC, and exploring whether further regulation of OTC activity is needed for DFSA-regulated Firms.

Secondly, we are reviewing how some areas of our existing framework are operating, to consider if changes are needed. These include our approach to preventing money laundering and the financing of terrorism (AML/CTF); reviewing the regulated activities of Arranging and Operating a Representative Office to ensure that they remain well-designed for the DIFC market; and looking at our Rules for Suitability in the light of recent supervisory experience.

Thirdly, we have identified areas of our Rules where we think improvements can be made to make it easier to do business with the DFSA and to facilitate the activities of firms wishing to carry on financial services business in or from the DIFC. These include our intention to enable more business to be done on-line between firms (including applicant firms) and the DFSA, on which we intend to consult in 2016. We are also considering enhancing our regimes for the operation of funds through fund platforms and for the listing of funds.

Fourthly, and last, we are undertaking policy work to consider how the DFSA should respond to the increasing use of technology in financial services. The increase in "fintech" business models means that the DFSA needs to consider how it should respond to, including the need to regulate, developments such as crowdfunding and the use of blockchain technology.

Policy and Strategy contributed to the development of international standards for financial services regulation in 2015, with staff involved in the activities of various committees of the IAIS. In addition, we have:

- 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
- made efforts to strengthen relationships with other regulators, particularly within the region, by sharing expertise.

### RISK FRAMEWORK

The Policy and Strategy Division continued to manage and develop 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) risks.

With regards to the DFSA's Risk Tolerance, this was communicated to staff and is intended to guide decision making, and prioritisation of issues, in the day-to-day supervisory and regulatory activities of the DFSA.

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 Policy and Strategy. This is discussed and challenged internally, with regular reporting to Board committees on particular risks, as noted under the report of the Risk Committee.

### STRATEGY AND BUSINESS PLANNING

The Policy and Strategy team 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, produced by the team, which is published every two years covering the two years ahead. In the intervening year, an internal version of the Business Plan is also prepared. In 2015, the team continued to analyse, and report on, economic, political and other developments relevant to the DFSA's operations, as well as report on developments in the work of the international standard-setters. Lastly, the Policy and Strategy team contributed to the revision of the DFSA's Vision and Mission statements during 2015.

### OUTREACH ACTIVITIES

In February, Policy and Strategy staff delivered an outreach session in the DIFC Conference Centre, attended by over 200 people, to provide feedback on the revised Client Classification regime. We also took the opportunity to remind stakeholders of the changes made in 2014 to the DFSA's decision making framework, including the abolition of the Regulatory Appeals Committee and the expansion of the jurisdiction of the FMT. Policy and Strategy staff also spoke at a number of seminars and training courses during the year as part of the DFSA's engagement with stakeholders.

## SUPERVISION

### OVERVIEW

The Supervision Division oversees prudential and conduct of business risks, both at macro and micro levels, in an effort to ensure the maintenance of the financial stability in the DIFC, consistent with the DFSA's objectives and with international standards.

The Division continues to grow in size and in expertise to match the wide variety of business models and risk profiles of the entities we regulate. These include 402 Authorised Firms, 16 Registered Auditors, 3 credit rating agencies and, for compliance with anti-money laundering legislation only, 100 non-financial businesses operating in the DIFC. We also continue to refine and adjust our risk-based supervision regime to ensure we are focusing attention on the entities presenting the highest risk, whilst avoiding unnecessary regulatory burden for those Firms which are well managed and pose less risk.

Over the course of the year, we implemented a new financial reporting schedule, based on international financial reporting standards. The revised reports and transmission mechanism, known as EPRS, provides our supervisors with improved data for both prudential and conduct of business supervision. The Supervision Division has worked closely with DFSA information technology specialists to develop automated business intelligence tools that enable a less-intrusive supervisory regime without sacrificing our regulatory objectives.

As the financial institutions operating in the DIFC are often part of large, internationally active financial institutions, the DFSA participated in 8 Supervisory Colleges. In addition to these events, we have open and continuous communication channels with UAE and regional regulators regarding institutions of mutual interest. We have also held several outreach events over the course of the year with various stakeholders in the DIFC, including Authorised Firms, Designated Non-Financial Businesses and Professions, and other service providers. We view formal and informal communication as critical to achieving our regulatory objectives.

### THEMATIC REVIEWS

Given the critical role of DIFC Firms in supporting trade in the region, we initiated a thematic review of trade finance activities for DIFC Firms. We will be looking at the prudential risks associated with trade finance as well as conduct of business risks, with a particular focus on how Authorised Firms are dealing with an increasingly

complex international sanctions environment and whether they have proper systems and controls in place to mitigate risks of trade-based money laundering. This review is expected to be completed in the first half of 2016.

We published our first Annual AML Report, which contained an analysis of the first set of annual returns submitted by relevant Firms and regulated entities. The findings from the report have assisted in the scoping and setting of a future financial crime thematic review, which we propose to commence in early 2016.

Given an increased focus on cyber risks globally, we are concerned about the ability of Firms to adequately assess cyber threats, including controls over third-party providers. We are considering a thematic review, even if only informal, in this area for 2016.

### AUTHORISATIONS

The population of Authorised Firms surpassed 400 for the first time in 2015, as licensing activity increased further from last year's pace. During 2015, we accepted 91 applications from entities seeking to be licensed as Authorised Firms and 18 applications from firms for registration as DNFbps. The overall country of origin range was also very broad, with an emphasis on applications from across the region as well as from Asia and Europe. We continue to review our approach to, and the scope of, the jurisdictions from which we will accept applications.

Whilst the majority of applications were from lower risk firms, including 21 from Representative Offices, 6 related to the establishment of new banking entities and 10 were from insurance entities. We also received 5 applications to establish a Domestic Fund in the DIFC. There are now a total of 13 Domestic Funds and 17 Firms that are licensed to operate as a Fund Manager. In particular, the introduction of our Qualified Investor Funds (QIF) regime has been supported and welcomed by the funds industry in the DIFC. Additionally there was on-going interest around non-traditional financial services involving, for example, crypto-currencies and crowdfunding.

### PRUDENTIAL SUPERVISION

The banking and insurance sectors continued to grow in terms of scope, size and complexity of activities in 2015. We have conducted macro and micro prudential oversight by undertaking a number of limited scope,

focused reviews and stress tests such as assessing the impact of low commodity prices and economic slowdown in emerging markets.

In the banking sector, we applied resources to ensure appropriate implementation of the DFSA revised liquidity risk framework, in line with international standards of the Basel Committee on Banking Supervision. This included the introduction of the Liquidity Coverage Ratio, with an aim of improving banks' ability to absorb potential shocks from financial and economic stress. Efforts were also directed toward dealing with some evolving operational risks, particularly cyber risk. Credit risk, liquidity risk and (as mentioned under "Thematic Reviews" above) cyber risks are expected to be areas of focus in 2016 as well.

The DIFC's role as a reinsurance market was further affirmed by Lloyd's of London officially opening its regional hub in March. In addition, the insurance sector grew with seven foreign insurers and managing agents being authorised. This brought the total of Authorised Firms conducting insurance-related business in or from the DIFC to 63 at the end of 2015. The prudential supervision team undertook a thematic review of the compliance framework of the insurance brokers and their handling of insurance monies.

### CONDUCT OF BUSINESS SUPERVISION

Supervision continues to focus on conduct of business risks across all regulated entities. The DFSA introduced new client classification requirements in 2015, aiming to provide more flexibility to Authorised Firms in classifying clients. There remains a significant variability in the quality of the evaluations and recommendations of products and services for clients, and this will continue to be a prime area of risk assessment in 2016. We expect a robust assessment of a client's sophistication and risk appetite in the on-boarding process. We also continue to assess whether Firms are providing information which is clear, fair and not misleading. In particular, we have focussed this year on financial promotions being offered by Authorised Firms that offer Foreign Exchange (FX) and other highly leveraged products. In July this year, the DFSA also published its policy on permissible company and trading names, which aims to ensure that entities operating in or from the DIFC use names that do not mislead consumers.

Financial crime remains a key regulatory priority, especially in the wealth management sector and particularly for private banking activities. As with suitability, we continue to emphasise a risk-based approach assessment of financial crime risks in on-boarding, especially in relation to the documentation of source of wealth, beneficial ownership, and the rationale used for complex legal structures. This risk must be continuously assessed in the business relationship.

### POOLED SUPERVISION

The supervisory focus on pooled Firms remains primarily on conduct of business and money laundering risks. We utilised our online enquiry portal to manage communications with the Firms in the pooled supervision, ending the year with close to 2,000 enquiries over a rolling 12 month period. During 2015, we managed to resolve nearly 70% of all enquiries within a week. Longer resolution times generally were in relation to more complex issues such as change of control and change of scope applications.

### REGISTERED AUDITORS

We released our third Audit Monitoring Report covering detailed findings of our audit inspections from January to December 2014. During the year, we tested the enhanced Auditor Regime for its effectiveness following the introduction of enhancements in 2014. We conducted a total of 15 risk assessments focusing on Registered Auditors compliance with the DFSA Rules, with an emphasis on how auditors communicate with the governing bodies of regulated entities and those charged with governance relating to their internal control deficiencies. The DFSA has identified a number of improvement opportunities, and these findings will be included in our fourth Audit Monitoring Report to be issued in 2016.

### FATCA

During 2015, Supervision continued its efforts to ensure that an appropriate reporting framework for DFSA regulated entities was in place to comply with Foreign Account Tax Compliance Act (FATCA) requirements. The reporting framework through the DIFC Registrar of Companies (RoC) was finalised and the first reporting, as of 30 September, was submitted to the RoC and ultimately to the UAE Ministry of Finance.

## MARKETS

### SUPERVISING MARKET INFRASTRUCTURE

In 2015, 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 AMI and AML Modules that were overhauled in 2013. In the course of supervising and monitoring AMIs in the DIFC, the Markets Division:

- reviewed and analysed market quality reports;
- reviewed and approved significant changes, such as two liquidity incentive schemes, one outsourcing request, and five business rule proposals;
- 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;
- 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, conducting risk assessment reviews of the AMIs' activities.

### RECOGNITION OF REMOTE PARTICIPANTS IN THE DIFC MARKETS

In 2015, recognition status was granted to two exchanges and five brokerage or clearing firms and was revoked for three firms. Recognition is required for platforms or (clearing) brokers which do not have a physical presence in the DIFC.

The Markets 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 increased significantly for trading and clearing platforms while non-DIFC membership to exchanges remained stable.

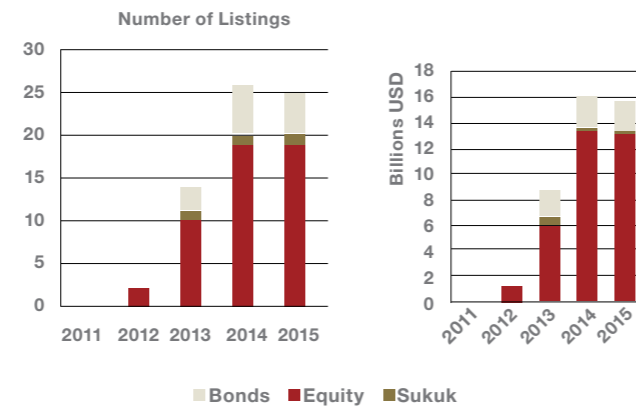
### OPERATING THE LISTING AUTHORITY

The Listing Authority has the responsibility of admitting companies to the 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 Markets Division as operator of the Listing Authority role applies a risk-based

approach to the review and approval of 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.

Market conditions for security offerings and listings were generally favourable in 2015, although volatile in the second half of the year. This is evidenced by a strong interest in the offering of Sukuk in the DIFC. In parallel with the greater UAE the environment for equity IPOs continues to be subdued in the DIFC with a single Orascom Ltd. listing in March 2015.

As at the end of 2015, the Listing Authority had processed 36 capital markets transactions, which included prospectus approvals and/or admission to the List. During the year, 19 Sukuk with an aggregate market capitalisation of USD 13.3 billion were admitted to the List, as well as five conventional bonds with an aggregate market capitalisation of USD 2.5 billion and the IPO of Orascom with a market capitalisation of USD 731.9 million.



A total of USD 15.7 billion was raised during 2015, compared to USD 16.1 billion in 2014. Please refer to Appendix 6 for securities listed in 2015. The approved transactions show a broadening in type of issuers with the majority still being UAE institutions, national-based companies or companies with a GCC nexus.

The Markets Division actively monitors issuer disclosures and securities price developments, and engages with issuers when appropriate to ensure adequate and timely disclosure. During the year, the Division processed 2 delistings and temporarily suspended securities from trading in one instance.

### 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 had approved the admission of USD 13.3 billion Sukuk to the List in 2015. Out of this, a total of USD 9.3 billion were new issuance representing approximately 42% of the total USD denominated Sukuk issuance globally in 2015, which amounted to USD 21.8 billion.

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 a venue to list. The DFSA benchmarks itself against leading international financial markets, such as the UK, Ireland and Luxembourg, when changes to the regulatory framework are proposed, as these are regarded as being among the most preferred listing venues by issuers of fixed income securities or Sukuk from this region.

### INITIATIVES AND PROJECTS

We substantially updated our first and second Markets Briefs on the DIFC Listings Regime and the listing of debt respectively, to reflect current Rules and practices. To enhance the DFSA's listing regime further, the Markets Division also issued five new Markets Briefs to provide guidance on the listing process and disclosure obligations. Specific topics included the repurchase of debt, the DFSA corporate governance regime applicable to issuers of securities, supplementary prospectuses, the dealing with inside information and the provision of liquidity operations and services.

The Markets Division also continued its efforts to ensure continuation of access to foreign markets by its trading and clearing platforms. To this purpose a MoU with the Egyptian Financial Services Authority (EFSA) was concluded, streamlining the process by

which exchange, remote broker and issuer supervision is conducted and information is exchanged between authorities.

A Code of Market Conduct came into effect on 1 January 2015 and provides further guidance on the market abuse provisions in the DIFC Markets Law. The implementation of the DFSA's capital markets-related fees was finalised.

### LOCAL AND INTERNATIONAL COLLABORATION

The Markets Division continues to engage the DIFC capital markets industry in an on-going dialogue in regards to the evolving best practices and standards. In particular on Islamic finance and the listed funds regulatory regime we have consulted with key stakeholders.

Roundtable discussions related to the listed funds regime were held with advisers and service providers in early 2015. The Division also continued to seek feedback from law firms and arrangers in relation to the process of handling conventional and debenture transactions. A visit to the Irish Central Bank (ICB), the Luxemburg CSSF and the Egyptian FSA complemented the operational benchmarking.

The Markets Division continued its investor education through outreach and collaborative efforts with stakeholders - the public at large, peer regulators, industry bodies and standard-setters. This resulted in 35 presentations in public forums and publications across the UAE and the GCC, as well as relevant Islamic finance jurisdictions, on a variety of topics.

A staff member of the Division is a member of the IOSCO Commodity Derivatives Committee 7 and in 2015 continued its participation through the Committee's review of warehouse practices and the impact on commodity derivatives markets, as well as the monitoring of implementation of the IOSCO principles for crude oil price reporting agencies. A staff member of the Markets Division was part of the drafting committee of the IOSCO GEM committee Report on SME Financing through the Capital Markets that was published in July 2015. In the early part of the year we joined a working group on disclosure standards for Islamic Capital Market products which was established by the IFSB.



## ENFORCEMENT

### ENFORCEMENT TRENDS

2015 has been a particularly active year in the enforcement of financial services regulation. The DFSA issued fines totaling US\$ 9,141,000, imposed financial penalties of US\$ 200,000, ordered a Firm to pay compensation of US\$ 3.2 million to 20 investors and restricted three individuals from performing functions relating to the provision of financial services in the DIFC. The sanctions arose from the completion of 8 separate investigations. Three further enforcement actions are being considered by the DFSA's Decision Making Committee for which determinations will be made in 2016.

A key theme emerging from enforcement actions is the failure of Firms to adequately implement anti-money laundering and counter-terrorist financing systems and controls. This failure has been identified as one of the fundamental risks to the integrity of the DIFC. Consequently, the DFSA is focusing efforts on the governance failures within Firms to address this key risk. Firms, and particularly Authorised Individuals, who have responsibility to ensure compliance with this key risk will continue to be held accountable for such failures.

Another notable trend is the emergence of unco-operative practices. The DFSA expects Firms and its staff to deal with the DFSA in an open and co-operative manner, and to keep the DFSA informed of significant events or other matters which the DFSA would expect to be informed. One Firm was fined US\$ 5.5 million for unco-operative conduct.

### PROACTIVE ENFORCEMENT

In 2015 the Division adopted a more proactive approach to enforcement, by realigning its strategy to achieve speedier resolutions of regulatory concerns. Generally, enforcement action requires detailed forensic analysis of transactional information which is frequently time consuming and undertaken independently of the Firm or Individual under investigation. Under the proactive approach and, when appropriate, enforcement will engage with a Firm or Individual as soon as it becomes aware of misconduct to allow the Firm or Individual to work co-operatively with the Division to resolve the DFSA's concerns. This proactive approach provides dividends for both the regulator and the regulated, as concerns can be resolved on a more facilitative basis with less cost to both parties. Furthermore the DFSA can reward co-operative behaviour through its decision making processes.

### INVESTIGATIONS

The Enforcement Division carried out 20 investigations in 2015, 11 of which were carried over from 2014. The Division completed 15 investigations in 2015 with 5 investigations being carried over into 2016.

The Investigations resulted in:

- Decisions made by the DMC;
- Enforceable Undertakings; and
- Private warning letters

One concluded investigation resulted in a "no further action" recommendation.

### DFSA ENFORCEMENT DECISIONS

In 2015, the DMC made decisions in respect of seven Individuals or Firms whose conduct was referred by the Division. In these matters, the DMC decided to:

- Fine a Firm US\$ 8.4 million for a range of failures relating to corporate governance, systems and controls and its relationship with the DFSA. The Firm failed to exercise good governance over several business lines resulting in their failure to comply with AML system and control requirements. The Firm then concealed these concerns from the DFSA and misled and obstructed the DFSA during its investigation;
- Restrict two individuals for a period of 6 years from performing any functions relating to the provision of financial services in the DIFC. The DMC imposed this restriction for providing false and misleading information to the DFSA;
- Fine a Firm US\$ 56,000 for its failure to have in place adequate AML systems and controls;
- Restrict an individual for a period of 3 years from performing any functions relating to the provision of financial services in the DIFC. The DMC also imposed a fine of US\$ 45,000. The DMC imposed the restriction and fine because the person provided false and misleading information to the DFSA and obstructed the DFSA during its investigation;
- Fine a Firm US\$ 640,000 for failing to implement appropriate safeguards to prevent opportunities for money laundering, and to have in place adequate AML systems and controls. The DMC imposed a reduced fine after taking into consideration the Firm's initiative to self-report the misconduct to the DFSA, remediate its deficiencies and co-operate fully with the DFSA's investigation; and

- Censure a Firm and direct the Firm to pay compensation of US\$ 3.2 million to 20 investors for promoting a Collective Investment Fund in a way that did not comply with the applicable Laws and Rules. The investors were also not properly treated as clients by the Firm, and therefore did not receive the other protections they were entitled to under the DFSA's regulatory regime

The DMC's decision is also pending in respect to whether or not:

- A Firm, and a person promoted financial products to investors without properly treating the investors as clients of the Firm;
- Two individuals have provided false and misleading information to the DFSA and obstructed the DFSA during an investigation; and
- Two individuals are fit and proper to perform functions in connection with the provision of financial services in the DIFC.

### ENFORCEABLE UNDERTAKINGS

The DFSA entered into two Enforceable Undertakings with two Firms about concerns relating to their compliance with the DFSA's AML Module. In particular, the DFSA was concerned that the two Firms did not have adequate systems and controls to prevent money laundering. The Firms undertook to rectify their deficiencies and enhance their systems and controls, and to pay financial penalties to the DFSA as follows:

- The first Firm agreed to pay the amount of US\$ 150,000, of which US\$ 100,000 was suspended indefinitely and only became payable if the Firm failed to comply with the Enforceable Undertaking; and
- the second Firm agreed to pay US\$ 50,000.

### PRIVATE WARNINGS

The Enforcement Division issued 4 private warnings to persons and/or Firms, who the DFSA suspected of engaging in misconduct. The purpose of the 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.

### INTERNATIONAL REGULATORY POLICY DEVELOPMENT – CREDIBLE DETERRENCE

The Enforcement Division continued its strong contribution to international regulatory policy development primarily through its membership of various committees of the IOSCO. Notably, the Head of Enforcement is a member of Committee 4 for Enforcement and the Exchange of Information (Committee 4) and the Screening Group which is responsible for screening new applicant jurisdictions to be signatories to the IOSCO MMoU. The Head of Enforcement played a leading role in the development, by Committee 4, of a highly anticipated paper published in June 2015. The paper provides IOSCO members with access to best practices and strategies used by securities and financial services regulators around the world to deter unlawful conduct in a credible way.

The Head of Enforcement has also been working with the Screening Group to develop an Enhanced MMoU which will facilitate even greater levels of co-operation between securities regulators globally.

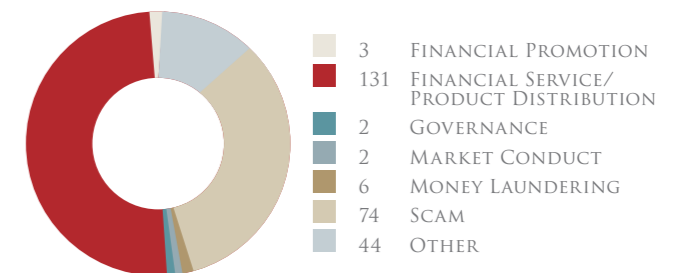
### COMPLAINTS MANAGEMENT

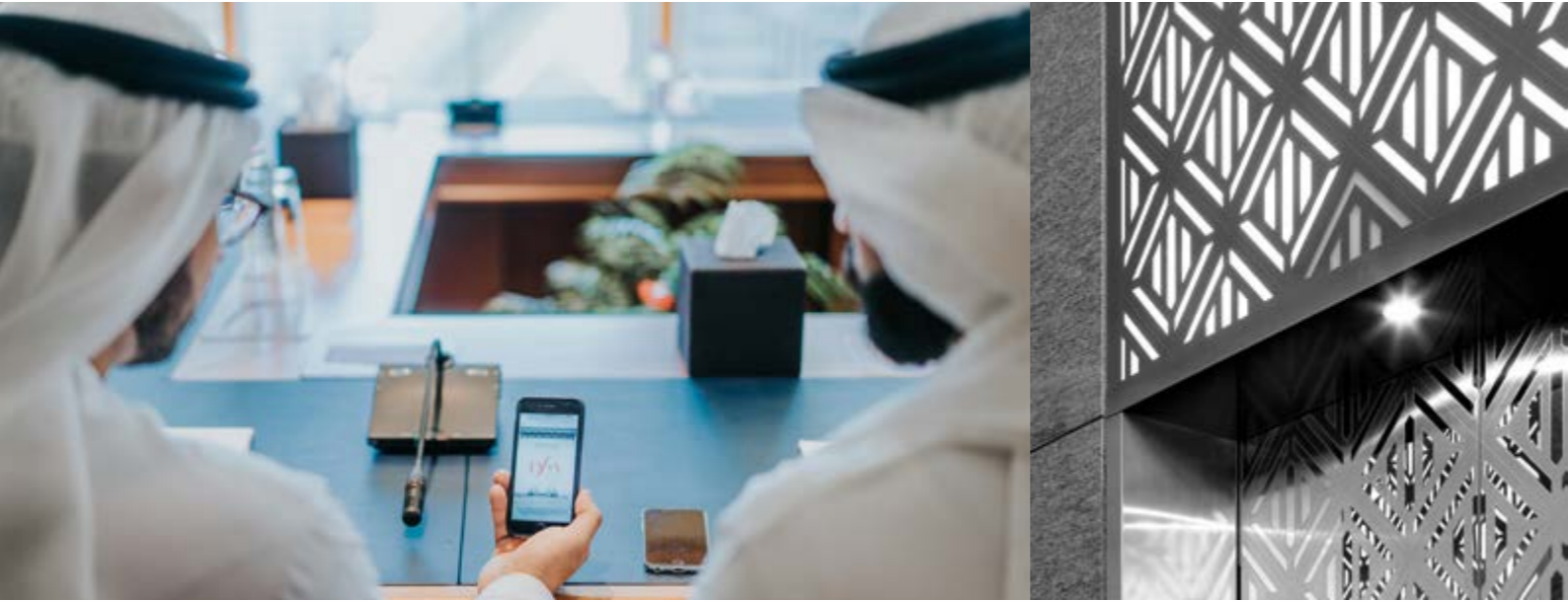
Complaints are important sources of intelligence for the DFSA, and the DFSA encourages the public to make complaints when they believe DFSA legislation has been contravened.

The DFSA received 264 complaints in 2015. 90% of complaints were assessed and finalised by the DFSA within 28 days of receipt. In relation to the remaining 10%, further enquiries and assessment were required to finalise the complaint.

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

### DFSA 2015 COMPLAINTS: NUMBER OF TYPE OF COMPLAINTS RECEIVED





**SCAMS**

The DFSA strives to educate consumers about scams, as this is the best way to protect consumers. The DFSA received 74 complaints about scams, and issued 12 consumer alerts in 2015. 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.

- Commodity Futures Trading Commission, USA;
- De Nederlandsche Bank NV, the Netherlands;
- Dubai Police;
- Dubai Public Prosecution;
- Emirates Securities and Commodities Authority;
- Financial Conduct Authority, UK;
- Financial Services and Market Authority, Belgium;
- Securities and Exchange Commission, USA and UAE Insurance Authority.

**COLLABORATION WITH OTHER REGULATORS**

Co-operation and collaboration in financial services regulation enables regulators to achieve their respective objectives. In the case of enforcement activity, it enables regulators to deter misconduct by sharing information about each others regulatory and enforcement activities and approaches.

Agencies that collaborated with the DFSA on enforcement activities during 2015 included the:

- Autorité des Marchés Financiers, France;
- Banco De Portugal;
- Capital Markets Board of Turkey;
- Central Bank of Bahrain;
- Central Bank of the UAE;
- Comissão do Mercado de Valores Mobiliários, Portugal;
- Commissione Nazionale Per Le Societa A La Borsa, Italy;

The Enforcement Division continued its collaboration with the Emirates Securities and Commodities Authority (ESCA), the Central Bank of the UAE (CBUAE), the Dubai Police and other regional enforcement agencies in 2015.

**CORPORATE GOVERNANCE**

The Enforcement Division continued its emphasis on good corporate governance in 2015. On 20 April 2015, the DFSA and Hawkamah conducted a Corporate Governance Outreach seminar. The Outreach seminar was directed at the Senior Executive Officers of Authorised Firms in the DIFC, and took the form of a panel discussion about the corporate governance of financial institutions in the DIFC.

**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 and to share it with supervisory and enforcement agencies. Since 2005, the DFSA has established a network of multi-lateral and bi-lateral MoUs to facilitate this. International Relations is responsible for negotiating and finalising MoUs. At the end of 2015, the DFSA had signed 95 bi-lateral MoUs and 4 multi-lateral MoUs. During 2014, the DFSA entered into a number of MoUs with fellow regulators from emerging markets making a commitment to assist with capacity building.

In March, the Chief Executive signed an MoU with his counterpart at the Otoritas Jasa Keuangan (OJK) with the aim of exchanging views on global regulatory reforms and capacity building is a critical step to ensuring confidence in each of our regulatory regimes. This initiative was followed by an on-site benchmarking visit by the OJK to Dubai in December. Another MoU with a capacity building focus was signed in October by

the DFSA's Chief Executive and his counterpart at the Financial Services Commission of Mauritius. In July, the DFSA and the Australian Prudential Regulation Authority (APRA) signed an MoU reflecting the presence of a number of Australian firms offering financial services in the DIFC and addressing each Authority's need to co-operate in relation to their regulation. An MoU had been signed with Australia's conduct regulator, the Australian Securities and Investments Commission (ASIC) in September 2006.

The European Central Bank's (ECB) obligation, from 2014, to supervise significant credit institutions operating in the Euro area gave rise to an interim arrangement between the DFSA and the Supervisory Board of the ECB to ensure effective supervision of the branches of those European banks present in the DIFC. The effect of the arrangement, in July 2015, is a commitment by the ECB to adhere to the existing MoUs the DFSA has in place with the respective authorities in the Euro area, namely the Central Bank of Cyprus, BaFin of Germany, the Banque de France, the Central Bank of Ireland, the Banca d'Italia, De Nederlandsche Bank, and the Banco de Portugal. This interim understanding

will remain in place until the ECB has settled on the programme and text for an enduring arrangement.

As the supervisor of subsidiaries and branches of banks and insurers with international links, the DFSA continues to deepen its participation in the work of Supervisory Colleges. The DFSA participated in 8 Supervisory Colleges in 2015.

During the year, some 61 responses were provided by the DFSA to requests for regulatory information and assistance from fellow regulators. During the same period, the DFSA made some 113 requests to fellow regulators for information.

#### REGIONAL RELATIONS

Interaction and co-operation with supervisors and regulators in the region remains a primary focus for the DFSA. The Chief Executive meets regularly with his federal counterparts, the Governor of the UAE Central Bank and the Chief Executive of ESCA, and, as insurance activity increases in the UAE and the DIFC, there has been greater interaction with the Director General of the Insurance Authority. Periodic meetings at an operational officer level continue to take place with all three regulators.

The DFSA engaged regularly throughout the year with the UAE Anti-Money Laundering Suspicious Cases Unit (AMLSCU). On-going topics of discussion included recent Federal Law improvements to national AML and Combatting Terrorism Offences and the DFSA's own on-going AML Enhancement projects. During 2015 the DFSA also obtained its secure online portal connection with the AMLSCU which allows for secure communication of Suspicious Activity Reports (SAR). The portal is also a mechanism in which the AMLSCU shares training and outreach materials.

Although it was unable to become a full member of the Arab Union of Securities Authorities (UASA), the DFSA attended the UASA's meetings and participated in its seminars and training initiatives in 2015 and remains committed to the UASA's vision to enhance the legislative and regulatory level of the Arab capital markets with a view of achieving fairness, efficiency and transparency. The DFSA also sought membership of the insurance counterpart of the UASA, the Arab Forum of Insurance Regulatory Commissions (AFIRC), and is likely to be accepted as an Observer in 2016.

The DFSA also participated in the work of its regional forum, IOSCO's Africa and Middle East Regional Committee (AMERC). At the 34th AMERC meeting in Muscat, Oman and the subsequent meeting in London the Committee continued to discuss emerging risks and other regional developments and also pursued a

proposal to add Arabic to the list of IOSCO's official languages.

#### INTERNATIONAL RELATIONS IN 2015

- 4 Memoranda of Understanding entered into in 2015.
- 95 Bi-lateral MoUs entered into in total (including 4 MMoUs).
- 61 Regulatory requests received by the DFSA from fellow regulators in 2015.
- 113 Regulatory requests made by the DFSA to fellow regulators in 2015.
- 39 regional and international delegations received by the DFSA in 2015.

### HUMAN RESOURCES

In line with the DFSA's policy of employee development both UAE Nationals and expatriate employees benefited from a series of programmes and initiatives at all levels. Most of the employees received an average of 5.97 in overview days of off- job training in 2015. Several new programmes are in the final stages of development, to be launched in 2016.

During 2015 there were 13 individuals undertaking professional qualifications and 7 undertaking further education at Masters level. Furthermore in line with the DFSA's Leadership Development Strategy, 3 individuals attended the Queens Leadership Programme.

A number of individuals chose to leave the DFSA in 2015 to return to their home countries to pursue their interests in other areas of the financial sector and for career progression. With employee turnover of around 7% in overview for 2015 last year and average employee tenure of 6.27, the DFSA continues to focus on being an employer of choice. Several of our UAE Nationals successfully completed their UAE Military service and have now returned to their careers at the DFSA.



## OPERATIONS AND CORPORATE AFFAIRS

### FINANCE

The DFSA controlled its expenditure within the approved budget in 2015. In the course of 2015 the DFSA maintained its accounting records and prepared its annual financial statements in accordance with International Public Sector Accounting Standards (IPSAS). An unqualified audit opinion was received from the DFSA's external auditors in respect of the 2015 financial statements.

Reviews of the DFSA's Finance Policies were conducted in 2015 and changes were approved by the Audit Committee. The Finance Department continued to improve operational efficiencies and the internal financial control framework of the DFSA.

### INFORMATION TECHNOLOGY

In 2015, the IT Department further developed the DFSA's capabilities in the effective use of technology while further building on the security and robustness of the corporate network and infrastructure. Numerous projects were successfully implemented including; enhancements to the Business Intelligence and core regulatory systems.

IT Security continued to be of high importance with various initiatives to further strengthen our cybersecurity resilience. An assessment was successfully completed by a third party against the ISO27032 Cybersecurity Guideline. Extensive external network penetration testing was also conducted for the tenth consecutive year by independent security specialists

### CORPORATE COMMUNICATIONS

Over the course of 2015, effective management of key stakeholders internally and externally continued to be a priority for the Corporate Communications team ensuring that the DFSA delivers on its values of transparency and accessibility. The Corporate Communications Department's efforts focused on engagement and co-operation with local and international media outlets in English and Arabic, responding to media enquiries in a professional and timely manner. The DFSA was successfully visible in local and international media via the profiling of senior executives and contributions to key publications on a regular basis.

This year, the Corporate Communications team focused on:

- The revamp of the DFSA's website to be launched in early 2016;
- The introduction of a DFSA mobile application to be launched in early 2016;
- 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, of making Dubai the Capital of Islamic Economy;
- The revisit and review of the DFSA's Vision, Mission and Values;
- Fostering and building on relationships with key government entities.

The team issued 30 media releases, 12 consumer alerts, 4 notices of consultation paper release and 3 notices of amendments to legislation. 24 publications were produced in 2015, including:

- Code of Values and Ethics for Employees and Consultants in English;
- Code of Values and Ethics for the Board, Committees and Tribunals;
- DFSA's Audit Monitoring Report 2014, a bi-lingual publication;
- The DFSA in Action, Volume 12, a bi-lingual publication;
- DFSA's Annual AML Return Report, a bi-lingual publication;
- DFSA's Annual Report 2014, a bi-lingual publication;
- DFSA's Business Plan 2015/2016, a bi-lingual publication;
- Markets Brief, a bi-lingual publication;
- CONNECT – DFSA staff newsletter;
- Funds in the DIFC in English;
- The TRL leaflet in English.

The Department also aligned many of its activities with Dubai's key initiatives, through its CSR initiative which focused on areas such as Islamic Finance and through its Bawabaty 'My Gateway' initiative that was launched in 2014 with the aim to meet the needs of UAE Nationals wishing to pursue a career in financial services to provide lifelong learning opportunities for our local community and to support community education in financial services.

In October 2015, the DFSA hosted a workshop on Fundamentals of Islamic Banking and Finance specifically tailored for UAE Nationals from universities and government entities across the UAE. The workshop covered areas of Islamic Business ethics and Islamic Economics. The workshop was designed to be highly interactive, and participants completed a written assessment at the end of the workshop. The top ten participants were selected by the DFSA to attend the formal examination administered by Chartered Institute for Securities & Investment (CISI) for an opportunity to obtain a certified qualification on Fundamentals of Islamic Banking and Finance.

### PROJECTS AND PLANNING

Projects and Planning have been engaged in the monitoring of the DFSA's 2015 Business Plan and the development of the 2016/17 Business Plan. The team continues to deliver a variety of projects across the organisation and the planning and delivery of numerous international events hosted by the DFSA.

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

### BUSINESS EXCELLENCE AND STAKEHOLDER MANAGEMENT

Stakeholder management and engagement with key stakeholders has continued with success. A UAE National intern was trained in stakeholder surveys and engagement, under the 'Bawabaty' initiative. The function has also facilitated stakeholder engagement initiatives, especially in training on topics that the DFSA has expertise on.

## LOOKING FORWARD



### WHEN OUTLINING THE DFSA'S BUSINESS PLAN FOR 2015/2016, THREE STRATEGIC THEMES WERE IDENTIFIED AS BEING RELEVANT AND IMPORTANT TO THE DEVELOPMENT OF THE DFSA.

Over the 2015 and 2016 period, the DFSA's activities will be guided by the strategic themes of Delivery, Sustainability and Engagement.

In our business planning in recent years, we had focused on the themes of Quality, Collaboration and Internationalisation. With the DIFC becoming more established and playing a greater role in the regional financial services sector, in addition to the increased cumulative regulatory experience of the DFSA, we felt the time was right to review these themes and adjust them to reflect the emphasis of our work going forward.

Before developing the new themes, we evaluated, in depth, the impact of economic and political developments, assessed the recent and anticipated growth of the DIFC, considered the evolving role of the international regulatory community and reviewed our internal risk tolerance. Having debated all of these issues internally, the three strategic themes were determined best to reflect areas of emphasis for the DFSA.

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

Given the continued increase in the depth and breadth of activity in the Centre, we need to ensure that we continue to deliver world-class regulation in the DIFC. The approaching conclusion of major revisions to global financial standards, after the global financial crisis, has led to an increased focus on implementation of those standards, in both rules and practices. This will drive us to make careful preparation for the forthcoming review of the DIFC to be undertaken by bodies such as the IMF, FATF and MENA FATF. The slow-down in changes to global standards will further support our existing commitment to reduce the pace of significant Rulebook changes, with the aim of reducing the incremental burden on our regulated population.

We will retain our supervisory focus in addressing AML/CTF, sanctions and other financial crime issues, in keeping with the DFSA's risk tolerance. We will emphasise supervision of conduct risks, including client

classification and suitability, while providing appropriate attention to firms expected to have rapid balance sheet growth. More generally, the quality of governance among the regulated population will also remain a focus, as failures here are often at the heart of enforcement activity. We will continue to take enforcement action where it is relevant and appropriate, with an increased emphasis on individual accountability.

Through refinements to early warning systems of emerging risks, and other innovations, we will improve our responsiveness. In terms of internal operational efficiencies, we will deliver creative process and IT solutions.

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

This theme has been largely driven by the increased maturity of the DIFC and our organisation. It involves enhancing organisational robustness and resilience, including by refining and embedding clear, efficient and scalable regulatory and non-regulatory processes. There will be efforts to improve cost recovery from our regulated population over the longer-term, though major changes are not expected in the near-term. We will continue our support of the Dubai Government strategy, including the Islamic economy initiative and

developing the DIFC more generally in a sustainable way through on-going dialogue with the DIFC and other bodies. We remain strongly committed to developing UAE National capability, through our training and leadership programmes, and to improving UAE National representation throughout our organisation.

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

We will continue to work closely with firms to promote understanding of our regulatory regime and involve firms, and other stakeholders, in shaping the regime through our consultation process. Locally, we will look to continue to build on the existing good foundations, so that there are strong and effective relationships with Dubai and UAE authorities. Relationships with other regulators in the UAE and overseas will remain a key part of our work. Robust operational relationships will be maintained and, where necessary, strengthened, in jurisdictions from which we have a substantial number of branches and subsidiaries, and those we expect will have increased regulatory importance. We will place greater emphasis on regional engagement. Targeted work with key global standard-setters will continue, with a focus on retaining our existing strong standing.

# DFSA 2015/2016 BUSINESS PLAN SUMMARY

DFSA 2015/2016 BUSINESS PLAN SUMMARY		
VISION	<ul style="list-style-type: none"> <li>To be an internationally respected regulator, leading the development of financial services through strong and fair regulation</li> </ul>	
MISSION	<ul style="list-style-type: none"> <li>To develop, administer and enforce world-class regulation of financial services in the DIFC</li> </ul>	
REGULATORY APPROACH	<ul style="list-style-type: none"> <li>To be risk-based and to avoid unnecessary regulatory burden</li> </ul>	
STRATEGIC THEMES IN ACTION		
<b>DELIVERY</b> Execute core functions with professionalism efficiency	<b>DELIVER WORLD-CLASS REGULATION AND EFFECTIVE ENFORCEMENT</b>	<ul style="list-style-type: none"> <li>Undertake thorough preparations for and follow-up to the FSAP and FATF assessments and provide any requested input to other UAE authorities</li> <li>Focus on proportionate DIFC appropriate implementation of international standards</li> <li>Pursue Rulebook simplification where possible</li> <li>Take relevant and appropriate enforcement action</li> </ul>
	<b>BE MORE AGILE THROUGH EARLY WARNING SYSTEMS AND INNOVATION</b>	<ul style="list-style-type: none"> <li>Refine existing warning systems to ensure responsiveness to emerging risks</li> <li>Explore indicators for identifying system-wide misconduct</li> </ul>
	<b>MAINTAIN QUALITY AS DIFC SCALE INCREASES</b>	<ul style="list-style-type: none"> <li>Pursue efficiencies without comprising on quality (e.g. refinements to risk-based regulation)</li> <li>Be creative in delivering process and IT solutions as part of maintaining operating excellence</li> </ul>
	<b>ENHANCE ORGANISATIONAL ROBUSTNESS AND RESILIENCE</b>	<ul style="list-style-type: none"> <li>Build clear, efficient and scalable regulatory and non-regulatory processes. Develop better knowledge management systems. Match recruitment and development to manpower needs</li> <li>Improve cost recovery</li> </ul>
	<b>SUPPORT DUBAI GOVERNMENT STRATEGY AND DIFC DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Continue alignment with DIFC and Dubai Government strategy (including Islamic Economy Initiative)</li> <li>Continue dialogue with DIFC bodies to support sustainable growth of the centre</li> </ul>
	<b>BUILD UAE NATIONAL CAPABILITY</b>	<ul style="list-style-type: none"> <li>Continue to build regulatory capacity via the TRL Programme and other initiatives (e.g. international secondents)</li> <li>Strive to improve UAE National representation throughout the DFSA</li> </ul>

<b>ENGAGEMENT</b> Thoughtful and active engagement with key stakeholders	<b>REGULATED FORMS AND KEY HOME REGULATORS</b>	<ul style="list-style-type: none"> <li>Regulate in a consistent transparent and risk-based manner</li> <li>Continue outreach activities to promote understanding of the regulatory regime</li> <li>Maintain sound relationships with regulators in key jurisdictions and develop relationships in jurisdictions anticipated to have increased importance</li> </ul>
	<b>MENA/GCC REGULATORS</b>	<ul style="list-style-type: none"> <li>Place greater emphasis on regional engagement and representation on regional fora in keeping with the growing role of the DIFC in the region</li> </ul>
	<b>DUBAI AND UAE AUTHORITIES</b>	<ul style="list-style-type: none"> <li>Continue building relations with Dubai and UAE bodies</li> </ul>
	<b>GLOBAL STANDARD-SETTERS</b>	<ul style="list-style-type: none"> <li>Retain our standing among key global standard-setters</li> </ul>

STRATEGIC THEMES IN ACTION		
<b>FINANCIAL CRIME</b> <ul style="list-style-type: none"> <li>Be vigilant in addressing AML/CTF, sanctions and other crime issues</li> <li>Strengthen existing relationships with relevant local and federal bodies to mitigate financial crime risks</li> </ul>	<b>CONDUCT AND PRUDENTIAL</b> <ul style="list-style-type: none"> <li>Continue to target conduct risks while giving appropriate attention to prudential risks, particularly from firms expected to have rapid balance sheet growth</li> </ul>	<b>STANDARD ALIGNMENT</b> <ul style="list-style-type: none"> <li>Demonstrate effective implementation of international regulatory standards via the FSAP and FATF process</li> <li>In relevant areas, continue to align with EU standards. Uphold commitment to simplify the Rulebook</li> </ul>

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## DUBAI FINANCIAL SERVICES AUTHORITY

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD  
OF DUBAI FINANCIAL SERVICES AUTHORITY

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Dubai Financial Services Authority ("DFSA") which comprise the statement of financial position as at 31 December 2015 and the statement of financial performance, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE  
FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the DFSA as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

## PRICEWATERHOUSECOOPERS

Dubai, United Arab Emirates



DUBAI FINANCIAL SERVICES AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
(AS AT 31<sup>ST</sup> DECEMBER 2015)

		2015	2014
	NOTE	AED'000	AED'000
<b>ASSETS</b>			
Non-current assets			
Property and equipment	5	4,237	3,853
Intangible assets	6	5,594	6,772
		9,831	10,625
Current assets			
Prepayments and receivables	7	18,507	19,308
Cash and bank balances	8	127,759	80,156
		146,266	99,464
<b>Total assets</b>		<b>156,097</b>	<b>110,089</b>
<b>EQUITY</b>			
Contributed capital and reserves			
Contributed capital		5,755	5,755
Regulatory reserve	2.11	87,466	54,760
Litigation reserve	2.12, 12	11,011	1,293
Employees' end of service benefit scheme cumulative actuarial loss	9	(4,026)	(3,984)
<b>Total equity</b>		<b>100,206</b>	<b>57,824</b>
<b>LIABILITIES</b>			
Current liabilities			
Fee income received in advance	2.10	34,196	31,115
Creditors, accruals and other liabilities	10	17,728	17,166
Defined benefit plan net liabilities	9	3,967	3,984
		55,891	52,265
<b>Total liabilities</b>		<b>55,891</b>	<b>52,265</b>
<b>Total equity and liabilities</b>		<b>156,097</b>	<b>110,089</b>

These financial statements were approved for issue by the Board of Directors on 10 February 2016.

SIGNED ON BEHALF OF THE BOARD

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

		2015	2014
	NOTE	AED'000	AED'000
Appropriations from Government	2.10	117,420	117,440
Fee income	2.10	46,496	41,917
Other income	2.12, 13	34,209	155
<b>Total income</b>		<b>198,125</b>	<b>159,512</b>
General and administration expenses	14	(143,377)	(139,019)
Board of Directors' costs	16	(11,961)	(12,098)
Financial Markets Tribunal and Regulatory Appeals Committee expenses		(363)	(337)
<b>Total expenses</b>		<b>(155,701)</b>	<b>(151,454)</b>
<b>Surplus for the year</b>		<b>42,424</b>	<b>8,058</b>

## 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 1 <sup>st</sup> January 2014	5,755	46,702	1,293	(2,342)	-	51,408
Surplus for the year	-	-	-	-	8,058	8,058
Transfer to regulatory reserve (Note 2.11)	-	8,058	-	-	(8,058)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	(1,642)	-	(1,642)
At 31 <sup>st</sup> December 2014	5,755	54,760	1,293	(3,984)	-	57,824
Surplus for the year	-	-	-	-	42,424	42,424
Transfer to litigation reserve (Notes 2.12,13)	-	-	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 31 <sup>st</sup> December 2015	5,755	87,466	11,011	(4,026)	-	100,206

## DUBAI FINANCIAL SERVICES AUTHORITY STATEMENT OF CASH FLOWS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER)

	NOTES	2015 AED'000	2014 AED'000
Operating activities			
Surplus for the year	-	42,424	8,058
Adjustments for the following items:			
Depreciation	5	2,214	2,183
Amortisation	6	3,062	2,221
Provision for end of service benefits	-	5,108	4,870
Interest income	13	(460)	(155)
Operating cash flows before payment of amount payable to Government from fines collected and changes in working capital		52,348	17,177
Changes in working capital:			
Contributions made for the end of service benefits	9	(5,167)	(4,870)
Prepayments and receivables, net of interest receivable	7	1,030	(2,768)
Fee income received in advance	-	3,081	1,724
Creditors, accruals and other liabilities	10	562	9,282
<b>Net cash generated from operating activities</b>		<b>51,854</b>	<b>20,545</b>
Investing activities			
Purchase of property and equipment	5	(2,598)	(2,006)
Purchase of intangible assets	5,6	(1,885)	(5,488)
Interest received	-	232	61
<b>Net cash used in investing activities</b>		<b>(4,251)</b>	<b>(7,433)</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,603</b>	<b>13,112</b>
Cash and cash equivalents, beginning of the year	8	80,156	67,044
<b>Cash and cash equivalents, end of the year</b>	<b>8</b>	<b>127,759</b>	<b>80,156</b>

"The notes on pages 77 to 90 form an integral part of these financial statements."

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

### 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

With effect from 1 January 2014, the DFSA adopted International Public Sector Accounting Standards ('IPSAS'), in order to better present its financial position and financial performance, 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 judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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;
- IPSAS 35 Consolidated Financial Statements;
- IPSAS 36 Investments in Associates and Joint Ventures;
- IPSAS 37 Joint Arrangements;
- IPSAS 38 Disclosure of Interests in Other Entities.

#### 2.2 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 UAE 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 financial statements are unaudited.

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

### 2.3 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:

	YEAR
NUMBER OF 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.

### 2.4 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 their estimated useful lives of 3 years. The estimated useful life is 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 asset category when it is brought into use.

### 2.5 IMPAIRMENT

At the end of each reporting period, the DFSA reviews the carrying amounts of its cash and non cash generating 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).

The 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

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

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.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.6 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.

#### 2.7 PAYABLES

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

#### 2.8 PROVISIONS

Provisions are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation arising as a result of past events and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain

that reimbursement will be received and the amount of the receivables can be measured reliably.

#### 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 of less than three months or 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 the 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)

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

##### • Fines levied

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

##### REVENUE FROM EXCHANGE TRANSACTIONS

The DFSA recognises revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably and where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable

##### • 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 has been set up to meet contingencies arising from the discharge of the DFSA's regulatory responsibilities. The amount in the reserve is determined by the Directors and is subject to change as deemed appropriate by them. These reserves may be called upon to cover an exceptional level of expenses in excess of revenues in a particular financial year should the need arise. The amounts distributed to and from this reserve are at the discretion of the Directors.

#### 2.12 LITIGATION RESERVE

With effect from 1 January 2012, 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 when they are levied (Note 13) and transferred to the accumulated surplus or deficit. The Directors have estimated that an amount of USD 3 million (AED 11.01 million) should be maintained in the litigation reserve to provide for unforeseen litigation costs. Appropriations from fine income are made to the Litigation Reserve to maintain the balance of the Litigation Reserve at the level required. This amount may be revised as deemed appropriate by the Directors, as and when a need may arise.

The Directors do not consider the litigation reserve to be distributable. Transfers from it 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 these arise.

#### 2.13 EMPLOYEE BENEFITS AND POST-EMPLOYMENT BENEFITS

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

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 present value of the defined benefit obligation is determined by discounting the expected future cash flows by a discount factor that represents the time value of money determined by reference to corporate bond rates. The value of any plan asset is restricted to the sum of the past service costs not yet

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

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 Group 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 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 performance on a straight line basis over the term of the lease.

### 2.15 FINANCIAL INSTRUMENTS

Financial assets, including cash and bank balances (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 the 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 and 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 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 exposure to interest rate risk.

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015)

### 3.1 FINANCIAL RISK FACTORS

#### 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, the Management is 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 estimation uncertainty at the end of the reporting period, that have a significant risk of 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.

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 rates 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 2015 was AED 4.2 million (2014: 3.8 million).

DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
(FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - 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
<b>COST</b>						
At 1 <sup>st</sup> 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 <sup>st</sup> December 2015	14,798	4,473	710	15,408	6	35,395
<b>ACCUMULATED DEPRECIATION</b>						
At 1 <sup>st</sup> 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 <sup>st</sup> December 2015	14,277	4,333	638	11,910	-	31,158
Net book amounts at 31 <sup>st</sup> December 2015	521	140	72	3,498	6	4,237
<b>COST</b>						
At 1 <sup>st</sup> January 2014	14,581	4,376	678	12,912	213	32,760
Additions	139	30	113	1,626	98	2,006
Transfer from capital work in progress	26	-	-	213	(239)	-
Write off	-	(13)	(53)	(434)	-	(500)
At 31 <sup>st</sup> December 2014	14,746	4,393	738	14,317	72	34,266
<b>ACCUMULATED DEPRECIATION</b>						
At 1 <sup>st</sup> January 2014	13,869	4,103	607	10,151	-	28,730
Charge for the year (note 14)	194	128	49	1,812	-	2,183
Write off	-	(13)	(53)	(434)	-	(500)
At 31 <sup>st</sup> December 2014	14,063	4,218	603	11,529	-	30,413
Net book amounts at 31 <sup>st</sup> December 2014	683	175	135	2,788	72	3,853

DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
(FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

6 INTANGIBLE ASSETS			
	SOFTWARE	CAPITAL WORK IN PROGRESS	TOTAL
	AED'000	AED'000	AED'000
<b>COST</b>			
At 1 <sup>st</sup> January 2015	17,913	1,514	19,427
Additions	157	1,728	1,885
Transfer from capital work in progress	2,460	(2,460)	-
At 31 <sup>st</sup> December 2015	20,530	782	21,312
<b>ACCUMULATED DEPRECIATION</b>			
At 1 <sup>st</sup> January 2015	12,655	-	12,655
Charge for the year (note 14)	3,062	-	3,062
	-	-	-
At 31 <sup>st</sup> December 2015	15,717	-	15,717
Net book amounts at 31 <sup>st</sup> December 2015	4,813	782	5,595
<b>COST</b>			
At 1 <sup>st</sup> January 2014	12,672	1,267	13,939
Additions	2,545	2,943	5,488
Transfer from capital work in progress	2,696	(2,696)	-
At 31 <sup>st</sup> December 2014	17,913	1,514	19,427
<b>ACCUMULATED DEPRECIATION</b>			
At 1 <sup>st</sup> January 2014	10,434	-	10,434
Charge for the year (note 14)	2,221	-	2,221
At 31 <sup>st</sup> December 2014	12,655	-	12,655
Net book amounts at 31 <sup>st</sup> December 2014	5,258	1,514	6,772

DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
(FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

7 PREPAYMENT AND RECEIVABLES		
	2015	2014
	AED'000	AED'000
Prepayments	17,864	18,895
Staff advances	189	312
Other receivables	454	101
	18,507	19,308

8 CASH AND BANK BALANCES		
	2015	2014
	AED'000	AED'000
Cash in hand	23	24
Current accounts	42,155	25,926
Fixed deposit accounts	85,581	54,206
Cash and bank balances	127,759	80,156

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 0.035 % to 2.50% per annum for the year ended 31 December 2015 (2014: 0.075% to 0.45%).

DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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9 EMPLOYEES' END OF SERVICE BENEFITS		
The following summarises the components of net defined benefit expense recognised in the statement of financial performance:		
	2015	2014
	AED'000	AED'000
Current service cost	4,303	3,992
Net defined benefit expense	4,303	3,992
Defined benefit obligation	28,137	26,287
Fair value of plan assets	24,170	22,303
Defined benefit liability	3,967	3,984

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

	2015	2014
	AED'000	AED'000
Obligation at beginning of the year	26,287	21,686
Current service cost	4,303	3,992
Interest cost	995	830
Actuarial (gain)/loss on obligation	(94)	1,622
Benefits paid from plan	(3,354)	(1,843)
Obligation at end of the year	28,137	26,287

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

	2015	2014
	AED'000	AED'000
Fair value of plan assets at the beginning of the year	22,303	19,344
Employer contribution	5,167	4,870
Expected return on plan assets	190	167
Actuarial (losses)	(136)	(235)
Benefits paid from plan	(3,354)	(1,843)
Fair value of plan assets at end of year	24,170	22,303

Plan assets comprise of cash at bank for 100% (2014: 100%)

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

### 9 EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

The significant actuarial assumptions in calculating the defined benefit obligation are estimates of the long term salary growth rate of 3% for the 2015 and 2016 and 5% thereafter (2014: 4%), the discount rate representing the time value of money of 3.25 % (2014: 3.25%) and the rate of withdrawal of employees from the scheme of 10% (2014: 7%). 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	3% for 2016 and 2017; 5% thereafter	+1% / -1%	1,813 / (1,639)
Discount rate	3.25%	+1% / -1%	1,761 / (1,560)
Withdrawal rate	10%	+2% / -2%	(476) / (395)

### 10 CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2015 AED'000	2014 AED'000
Trade creditors	3,091	2,094
Employee related accruals	12,572	13,522
Other accruals	2,065	1,550
	17,728	17,166

### 11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Government, key management, and entities that operate together to achieve the policies of the government in Dubai. As 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 TRANSACTIONS:	2015 AED'000	2014 AED'000
Cash received from the Government	117,420	117,440
Revenue recognised during the year	117,420	117,440

## DUBAI FINANCIAL SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

### KEY MANAGEMENT COMPENSATION

Key management are those ten (2014: nine) individuals having authority and responsibility for planning, directing and controlling the activities of the DFSA. Their compensation during the year is:

	2015 AED'000	2014 AED'000
Salaries and performance bonus	17,769	16,196
Other emoluments and benefits	5,004	4,587
	22,773	20,783

Refer to note 16 for details of the Board of Directors expenses.

### 12 APPROPRIATION OF FINE INCOME TO RESERVES

YEAR ENDED 31 <sup>ST</sup> DECEMBER	2015 AED'000	2014 AED'000
Fines levied (Note 13)	33,749	-
Less: Amount appropriated to litigation reserve	(9,718)	-
Amount appropriated to Regulatory Reserve	24,031	-

### 13 OTHER INCOME

YEAR ENDED 31 <sup>ST</sup> DECEMBER	2015 AED'000	2014 AED'000
Fines levied	33,749	-
Interest on fixed deposits	460	155
	34,209	155

In 2015 the DFSA imposed fines of AED 33.749 million on Authorised entities as compared to nil in 2014. 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).



DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
(FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

14 GENERAL AND ADMINISTRATION EXPENSES		
YEAR ENDED 31 <sup>ST</sup> DECEMBER	2015	2014
	AED'000	AED'000
Staff costs (Note 15)	113,674	110,368
Office rent	6,566	6,281
Communication and IT systems and equipment maintenance	4,090	3,642
Regulatory travel, training, conferences and seminars	3,271	3,477
Software licensing and maintenance	3,163	2,881
Other expenses	2,527	3,253
Depreciation (Note 5)	2,214	2,183
Amortisation (Note 6)	3,062	2,221
Recruitment costs	1,890	1,066
Legal, consultancy and professional fees	1,812	2,649
Marketing expenses	964	802
Vehicle lease and maintenance	144	196
	143,377	139,019

15 STAFF COSTS		
YEAR ENDED 31 <sup>ST</sup> DECEMBER	2015	2014
	AED'000	AED'000
Salaries	62,654	59,968
Other benefits	45,912	45,595
Employees' end of service benefits (Note 9)	5,108	4,805
	113,674	110,368

16 BOARD OF DIRECTORS COSTS		
YEAR ENDED 31 <sup>ST</sup> DECEMBER	2015	2014
COSTS	AED'000	AED'000
Retainer fees	5,075	4,904
Attendance fees	2,277	2,251
Travelling	2,527	2,532
Other	2,082	2,411
	11,961	12,098

DUBAI FINANCIAL SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
(FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015 - CONTINUED)

17 OPERATING LEASE COMMITMENTS		
The lease commitments under non-cancellable operating leases are as follows:		
	2015	2014
	AED'000	AED'000
Not later than 1 year	7,097	4,837
Later than 1 year and no later than 5 years	14,922	-
	22,019	4,837

DUBAI FINANCIAL SERVICES AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
(PRESENTED IN USD) - UNAUDITED

	2015	2014
	USD'000	USD'000
<b>ASSETS</b>		
Non-current assets		
Property and equipment	1,154	1,050
Intangible assets	1,525	1,845
	2,679	2,895
Current assets		
Prepayments and receivables	5,043	5,265
Cash and bank balances	34,812	21,840
	39,855	27,105
<b>Total assets</b>	<b>42,534</b>	<b>30,000</b>
<b>EQUITY</b>		
Contributed capital and reserves		
Contributed capital	1,570	1,570
Regulatory reserve	23,834	14,922
Litigation reserve	3,000	352
Employees' end of service benefit scheme cumulative actuarial loss	(1,097)	(1,086)
<b>Total equity</b>	<b>27,307</b>	<b>15,758</b>
<b>LIABILITIES</b>		
Current liabilities		
Fee income received in advance	9,317	8,478
Creditors, accruals and other liabilities	4,829	4,678
Defined benefit plan net liabilities	1,081	1,086
	15,227	14,242
<b>Total liabilities</b>	<b>15,227</b>	<b>14,242</b>
<b>Total equity and liabilities</b>	<b>42,534</b>	<b>30,000</b>

On pages 91 to 94 the primary financial statements have been presented in US Dollar (USD) for information purposes only.

DUBAI FINANCIAL SERVICES AUTHORITY  
STATEMENT OF FINANCIAL PERFORMANCE  
(PRESENTED IN USD) - UNAUDITED

	2015	2014
	USD'000	USD'000
Appropriations from Government	31,995	32,000
Fee income	12,669	11,422
Other income	9,321	42
<b>Total income</b>	<b>53,985</b>	<b>43,464</b>
General and administration expenses	(39,067)	(37,880)
Board of Directors' costs	(3,259)	(3,297)
Financial Markets Tribunal expenses	(99)	(92)
<b>Total expenses</b>	<b>(42,425)</b>	<b>(41,269)</b>
<b>Surplus for the year</b>	<b>11,560</b>	<b>2,195</b>

DUBAI FINANCIAL SERVICES AUTHORITY  
STATEMENT OF CHANGES IN EQUITY  
(PRESENTED IN USD) - UNAUDITED

	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 <sup>st</sup> January 2014	1,570	12,727	352	(638)	-	14,011
Surplus for the year	-	-	-	-	2,195	2,195
Transfer to regulatory reserve (Note 2.11)	-	2,195	-	-	(2,195)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	(448)	-	(448)
At 31 <sup>st</sup> December 2014	1,570	14,922	352	(1,086)	-	15,758
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 employee's end of service benefit obligation (Note 9)	-	-	-	(11)	-	(11)
At 31 <sup>st</sup> December 2015	1,570	23,834	3,000	(1,097)	-	27,307

DUBAI FINANCIAL SERVICES AUTHORITY  
STATEMENT OF CASH FLOWS  
(PRESENTED IN USD) - UNAUDITED

	2015 USD'000	2014 USD'000
<b>Operating activities</b>		
Surplus for the year	11,560	2,195
Adjustments for the following items:		
Depreciation	603	595
Amortisation	834	605
Provision for end of service benefits	1,392	1,327
Interest income	(125)	(42)
Operating cash flows before payment of employees' end of service benefits, payment of amount payable to Government and movements in working capital	14,264	4,680
<b>Changes in working capital:</b>		
Contributions made to the end of service benefits	(1,408)	(1,327)
Prepayments and receivables, net of interest receivable	281	(754)
Fee income received in advance	840	470
Creditors, accruals and other liabilities	153	2,530
<b>Net cash generated from operating activities</b>	<b>14,130</b>	<b>5,599</b>
<b>Investing activities</b>		
Purchase of property and equipment	(708)	(547)
Purchase of intangible assets	(513)	(1,495)
Interest received	62	15
<b>Net cash used in investing activities</b>	<b>(1,159)</b>	<b>(2,027)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,971</b>	<b>3,572</b>
Cash and cash equivalents, beginning of the year	21,841	18,269
Cash and cash equivalents, end of the year	34,812	21,841



## 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 year ended 31 December 2015 and 31 December 2014 by the Board and Senior Officers of the DFSA.		
REMUNERATION OF THE CHAIRMAN AND NON-EXECUTIVE BOARD MEMBERS:		
REMUNERATION BANDS	2015 BOARD MEMBERS	2014 BOARD MEMBERS
\$50,001 to \$100,000	0	0
\$100,001 to \$200,000	5	6
\$200,001 to \$250,000	3	2
>\$250,001	1	1
	2015(USD)	2014 (USD)
The aggregate amount of remuneration of non-Executive members of the Board shown above.	2,233,509	2,188,655

## Notes:

- Remuneration is pro-rated based on actual duration of service during the year.
- 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 2015 were USD 1,221,228 (Chairman's retainer fee was USD 453,200 per annum). Board meeting attendance fees were USD 6,983 per meeting (Chairman's meeting attendance fee was USD 15,450 per meeting).
- Committee membership fees during 2014 were USD 1,164 per committee (committee Chairman fee was USD 1,164). Committee attendance fees were USD 2,793 per meeting.
- 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.
- 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	2015 EXECUTIVES	2014 EXECUTIVES
USD'000	USD'000	USD'000
Up to \$300,000	2	-
\$300,001 to \$400,000	-	-
\$400,001 to \$900,000	8	8
>\$900,000	1	1
	2015(USD)	2014(USD)
The aggregate amount of remuneration of Executives shown above:	6,205,177	5,662,943

EXECUTIVE REMUNERATION INCLUDED IN THE ABOVE COMPRISED:		
	2015(USD)	2014(USD)
Salaries and performance bonuses	4,841,689	4,413,079
Other emoluments and benefits	1,363,488	1,249,964

## Notes:

- Salaries and bonuses are pro-rated based on actual duration of service during the year.
- Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical and life and end of service accrual for the year 2015.

## AUTHORISED FIRMS LICENSED IN 2015

FIRM NAME
<b>A</b>
ACON Equity Management L.L.C
ADAA Financial Services Limited
Allra International Limited
Aramis Partners Limited
Aspen UK Syndicate Services Limited
Audacia Capital Limited
Awad Capital Ltd.
AXIS Re SE (DIFC Representative Office)
<b>B</b>
Bank of China Limited
Bank of India
Bank of Palestine DIFC (Representative Office)
BankMed SAL
BanyanTree Bank Limited (DIFC Representative Office)
Berry Palmer & Lyle Limited
Bupa Global Middle East (DIFC) Ltd
Burgan Bank Financial Services Limited
Business Development Asia Limited(DIFC Representative Office)
<b>C</b>
Capita Fiduciary Group Limited
Capital Bank Corporate Advisory (DIFC) Ltd.
China Construction Bank Corporation
Citibank, N.A.
Credit Industriel et Commercial
<b>D</b>
DS-Concept Intelligent Trade Finance Limited
Dominion Fund Management Limited (DIFC Representative Office)
<b>E</b>
East Capital (Dubai) Limited
ED&F Man Capital Markets Limited
Elyseum Capital Partners Limited
Eurofin Investments Pte Ltd

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

## AUTHORISED FIRMS LICENSED IN 2015

FIRM NAME
<b>F</b>
Forth Capital (DIFC) Limited
Frere Hall Capital Management (Malta) Ltd (Representative Office)
Frontier Management Group Limited
<b>G</b>
Generation Alfa (Dubai) Limited
Global Financial Products Ltd
Guggenheim KBBO Partners Limited
Gulf Capital Credit Partners Ltd
Gulf International Finance Limited
<b>H</b>
HSBC Private Bank (Suisse) SA (DIFC Branch)
<b>I</b>
IG Limited
IMM Group Limited
Index & Cie Limited
IPSA Capital (Dubai) Limited.
IronFX Global MENA Limited
ITA (Middle East) Limited
Ithmar Capital Partners Limited
<b>K</b>
KHK & Partners Limited
<b>L</b>
Liberty Specialty Markets MENA Limited
Liquidity Finance LLP
<b>M</b>
Macquarie Infrastructure and Real Assets (Europe) Ltd
Markel International Dubai Limited
MedSecurities Investment Sal
MENA Re Underwriters Limited.
Misr Insurance Company
Morgan Stanley Investment Management Limited

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

## AUTHORISED FIRMS LICENSED IN 2015

FIRM NAME
<b>N</b>
NN Investment Partners B.V. Dubai Branch
<b>P</b>
Partner Reinsurance Europe SE
PFX Financial Professionals LTD
Platinum Capital Management Limited
<b>Q</b>
Qatar Reinsurance Company Limited
<b>R</b>
Reyl Finance (MEA) Ltd.
RoC Capital Management (Dubai) Ltd.
RUSD Capital Limited.
<b>S</b>
Saudi Fransi Capital International Ltd
SDI Capital Limited
SG & Partners Limited
Shinhan Bank Co. Ltd
Strata Capital Limited
Sun Global Investment (Middle East) Limited
Sword Capital Partners, LLC (DIFC Representative Office)
<b>T</b>
Tell Limited
Terra Nova Capital Advisors Limited
The Access Bank UK Limited
Trussbridge Advisory (DIFC) Limited
<b>U</b>
UBI Banca (Representative Office)
<b>W</b>
Warburg Pincus International LLC
Willis Limited

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

## DNFBPs REGISTERED IN 2015

FIRM NAME
DWF (Middle East) LLP
Devi Jewels LLC
Asian Hotel Corporation Limited
NRose LLC
Sabban Holdings Limited
Christie's (Dubai) Limited
BT Investments LTD
S3 Global Holdings Limited
AC Limited.
Beale and Company Solicitors LLP
Bae, Kim & Lee LLC (Dubai Branch)
Walkers Corporate (Dubai) Limited
RIAA Barker Gillette (Middle East) LLP
Shearman & Sterling LLP
Issa, Abi Younes & Associates Law Firm (IAA)
Maddox Street Limited
Winston & Strawn LLP

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

## MEMORANDA OF UNDERSTANDING SIGNED IN 2015

BI-LATERAL	
INDONESIA	Financial Services Authority of Indonesia (OJK)
KUWAIT	Capital Markets Authority
AUSTRALIA	Australian Prudential Regulation Authority
MAURITIUS	Mauritius Financial Services Commission

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

## MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2015

MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2015
Beltone Market Maker SAE
Mawarid Securities
Nanhua USA LLC
SG Americas Securities LLC
Shuaa Securities LLC

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

## NEW LISTINGS IN 2015

ISSUER	SECURITY	LISTING VENUE	AMOUNT RAISED
Bank of China	Bond	NASDAQ Dubai	CNY2,000,000,000
DIB Sukuk Limited	Sukuk	NASDAQ Dubai	USD 750,000,000
DIB Tier 1 Sukuk (2) Ltd.	Sukuk	NASDAQ Dubai	USD 1,000,000,000
DP World Limited	Bond	NASDAQ Dubai	USD 500,000,000
Emirates NBD PJSC	Bond	NASDAQ Dubai	EUR 550,000,000
Emirates NBD PJSC	Bond	NASDAQ Dubai	USD 350,000,000
Hong Kong Sukuk 2015	Sukuk	NASDAQ Dubai	USD 1,000,000,000
IDB Trust Services Limited	Sukuk	NASDAQ Dubai	USD 1,000,000,000
IFC Sukuk Company	Sukuk	NASDAQ Dubai	USD 100,000,000
Industrial and Commercial Bank of China Limited	Bond	NASDAQ Dubai	USD 500,000,000
Khadrawy Limited	Sukuk	NASDAQ Dubai	USD 671,026,000
Khadrawy Limited	Sukuk	NASDAQ Dubai	USD 242,000,000
MAF Sukuk Ltd.	Sukuk	NASDAQ Dubai	USD 500,000,000
Noor Sukuk Company Ltd.	Sukuk	NASDAQ Dubai	USD 500,000,000
Orascom Construction Limited	Equity	NASDAQ Dubai	USD 190,744,597
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD121,214,0000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 287,860,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 926,000,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 74,000,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 1,696,974,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 303,026,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 1,321,856,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	NASDAQ Dubai	USD 178,144,000
RAK Capital	Sukuk	NASDAQ Dubai	USD 1,000,000,000
SIB Sukuk Company III Limited	Sukuk	NASDAQ Dubai	USD 500,000,000

Refer to the DFSA website for all Listings.

## DFSA ADMINISTERED LAWS AND RULES IN 2015

### DFSA LAWS

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

- Notice of Amendments dated 11 February 2015 and rulemaking instruments 149 – 151 which made amendments to the client classification regime;
- Notice of Amendments dated 16 June 2015 and rulemaking instruments 152 – 153 which made amendments to markets-related fees; and
- Notice of Amendments dated 11 December 2015 and rulemaking instruments 154 – 164 which made a number of miscellaneous amendments to the modules of the DFSA Rulebook and changes to the Collective Investment Funds regime.

### MODULE OF THE DFSA SOURCEBOOK:

The Chief Executive made amendments to the DFSA's source book as follows:

- Notice of update dated 11 February 2015 which introduced the February 2015 edition of the Regulatory Policy and Process (RPP) Module;
- Notice of Amendment dated 4 March 2015 which updated the Prudential Returns Module (PRU) as a result of the legislative changes to the Prudential – Investment, Insurance Intermediation and Banking (PIB) module and the Prudential – Insurance Business (PIN) Module of the DFSA Rulebook that came into effect on 21 August 2014, and the introduction of the Liquidity Coverage Ratio and the Leverage Ratio in the PIB Module that came into effect on 1 January 2015;

- The AFN Module was updated on 3 separate occasions in 2015 to make a number of amendments including introducing forms AUD 3, AUD 4, AUD 5, AND AUD 6;
- Notice of update dated 7 May 2015 which introduced the May 2015 edition of the RPP;
- Notice of update dated 14 July 2015 which introduced the February 2015 edition of the RPP.



## GLOSSARY

GLOSSARY	
<b>A</b>	
AF	Authorised Firm
AMERC	Africa and Middle East Regional Committee
AML	Anti-money laundering
AMLSCU	Anti-Money Laundering Suspicious Cases Unit
ASIC	Australian Securities and Investments Commission
<b>B</b>	
BCBS	Basel Committee for Banking Supervision
BCG	Basel Consultative Group
BCR	Basic Capital Requirements
<b>C</b>	
CBUAE	Central Bank of the United Arab Emirates
CEO	Chief Executive Officer
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CP	Consultation Paper
CRAs	Credit Rating Agencies
CTF	Counter-Terrorist Financing
<b>D</b>	
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DIFCA	Dubai International Financial Centre Authority
DNFBP	Designated Non-Financial Businesses and Professions
<b>E</b>	
ESBD	ES Bankers (Dubai) Limited
EU	European Union
<b>F</b>	
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FMT	Financial Markets Tribunal
FSB	Financial Stability Board
<b>G</b>	
GCC	Gulf Co-operation Council
<b>H</b>	
HK SFC	Hong Kong Securities and Futures Commission
HR	Human Resources
<b>I</b>	
IA	Insurance Authority of the UAE
IAIGs	Internationally Active Insurance Groups
IAIS	International Association of Insurance Supervisors
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IT	Information Technology
<b>L</b>	
LegCo	Legislative Committee
List	Official List of Securities
<b>M</b>	
MENA	Middle East and North Africa
MoU	Memoranda of Understanding
MMoU	Multi-lateral Memoranda of Understanding
<b>N</b>	
NY Fed	Federal Reserve Bank of New York
<b>O</b>	
OECD	Organisation for Economic Co-operation and Development
<b>P</b>	
P&L	Policy and Legal Services Division
PRA	Prudential Regulation Authority
<b>Q</b>	
QIF	Qualified Investor Fund
<b>R</b>	
RA	Registered Auditor
RAC	Regulatory Appeals Committee
REIT	Real Estate Investment Trust
RemCo	Remuneration Committee
RoC	Registrar of Companies
<b>S</b>	
SCA	Emirates Securities and Commodities Authority
<b>T</b>	
TRL	Tomorrow's Regulatory Leaders
<b>U</b>	
UAE	United Arab Emirates
UASA	Union of Arab Securities Authorities
UK	United Kingdom
US	United States



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