Dubai Financial Services Authority

Annual Report | 2017

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Article 11 of the 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 each financial year and relate to the previous financial year. This is the DFSA's 14th Annual Report and covers the financial year ending 31st December 2017.

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

H.H. Sheikh Mohammed bin Rashid Al Maktoum

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

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

DEPUTY RULER OF DUBAI AND
PRESIDENT OF DUBAI INTERNATIONAL FINANCIAL CENTRE

2017 Overview

THE FOLLOWING INFORMATION SUMMARISES 2017 ACTIVITIES AND STATISTICS.

SUPERVISION

- 68 firms authorised in 2017
- 471 firms authorised in total, including 3 Credit Rating Agencies (CRAs)
- 719 individuals authorised in 2017
- 2202 individuals authorised in total
- 12 Designated Non-Financial Businesses or Professions (DNFBPs) registered in 2017
- 122 DNFBPs registered in total
- 16 auditors registered in total
- 177 risk assessments of Authorised Firms (AFs) conducted in 2017
- 11 risk assessments of Registered Auditors (RAs) conducted in 2017
- 52 licence variations granted in 2017
- 107 applications received in 2017 (89 AFs, 17 DNFBPs)
- 68 days to decide applications on average in 2017 (AFs only)

POLICY AND STRATEGY

- 8 consultation papers published proposing changes to the DFSA's policy framework
- 2 outreach sessions to explain the DFSA's proposals for change to stakeholders
- 8 consultation papers issued by international standard-setters commented on
- 16 surveys and other questionnaires issued by international standard-setters replied to

LEGAL DIVISION AND GENERAL COUNSEL

- 4 Rulebook amendments made by the Board in 2017
- 3 Sourcebook amendments made by the Chief Executive
- 14 rule-making instruments made by the Board in 2017
- 43 waivers and modifications granted in 2017

ENFORCEMENT

- 138 complaints received in 2017
- 128 complaints finalised in 2017
- 6 enforcement actions taken in 2017
- 5 investigations carried over to 2017 from previous years
- 4 investigations commenced in 2017
- 2 investigations concluded in 2017
- 7 investigations carried through to 2018

MARKETS

- 6 recognised member applications reviewed in 2017
- 6 recognised member applications approved in 2017
- 2 recognised body application received in 2017
- 62 recognised members in total
- 20 issuers admitted to the Official List of Securities (List) in 2017

INTERNATIONAL RELATIONS

- 2 Memoranda of Understanding (MoUs) and 1 multi-lateral Memorandum of Understanding (MMoU) entered into in 2017
- 5 FinTech Cooperation Agreements established in 2017
- 101 bi-lateral MoUs and 5 MMoUs were in place as at 31 December, 2017
- 113 regulatory requests made by the DFSA to fellow regulators in 2017
- 73 regulatory responses provided by the DFSA to fellow regulators in 2017
- 17 regional and international delegations received by the DFSA in 2017

HUMAN RESOURCES

- 146 employees as at 31st December 2017 (including 2 temporary employees and 1 intern)
- 92 regulatory staff, 30% of whom are United Arab Emirates (UAE) Nationals
- 7 days off-the-job training received per employee on average in 2017
- 34 employees undertook leadership development in 2017
- 32 UAE Nationals completed the Tomorrow's Regulatory Leaders (TRL) Programme since its inception in 2006

OPERATIONS

- 6 publications issued in 2017
- 8 consultation papers issued in 2017
- 13 consumer alerts issued in 2017
- 6 internal audits conducted, 3 by external parties and 3 conducted by Projects and Planning in 2017

Statement by the Chairman

Saeb Eigner
CHAIRMAN

2017 marked another year of significant achievement for the DFSA and continued growth in the Dubai International Financial Centre (DIFC).

DUBAI'S STRATEGIC VISION

We have continued to see the positive effects of the strategic initiatives introduced by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, as part of the UAE National Agenda to make the UAE, by the Golden Jubilee of the Union in 2021, one of the most highly regarded countries in the world for economic efficiency and quality of life. In the most recent edition of the Global Competitiveness Report 2017-2018, the World Economic Forum (WEF) found that the UAE topped the Arab world, and ranked 17th worldwide, in its global competitiveness ranking. For the fifth consecutive year, the UAE was rated among the 20 most competitive economies globally.

2017 has also been a year of notable progress in implementing the UAE's National Innovation Strategy, aimed at establishing an innovation-friendly environment throughout Government and the business sector. The WEF again placed the UAE among the world's most significant innovation-based economies, for the 11th consecutive year. The Dubai Plan 2021, through initiatives such as Smart Dubai and the Dubai Future Foundation, explores and evaluates the latest technological innovations that create opportunities to make a safe, efficient and beneficial impact on life and work in the city. Examples of successful initiatives include the Dubai Blockchain Strategy implemented by the Dubai Land Department and a similar blockchain project launched by the Dubai Electricity and Water Authority. Dubai Economy Accelerators also announced plans to launch the city's own encrypted digital currency, emCash, based on blockchain technology.

INNOVATION IN THE DIFC

Under the leadership of its President, His Highness Sheikh Maktoum Bin Mohammed Al Maktoum, the DIFC announced a number of key initiatives including the FinTech Hive at DIFC accelerator programme, run in partnership with the consulting group, Accenture. A first for the region, this accelerator programme offers start-ups and more established Financial Technology (FinTech) firms the opportunity to develop, test and modify their innovations in collaboration with global and regional financial institutions. The DFSA is actively supporting the programme and engaging with entities who may wish to apply for a financial services licence at the end of the accelerator programme. At the inaugural Global Financial Forum, His Excellency Essa Kazim, Governor of the DIFC, announced a USD 100 million fund to help establish, grow and upscale start-up and early stage FinTech firms looking to access the MEASA markets, leveraging the DIFC's FinTech ecosystem.

In 2017, the DFSA introduced Innovation as a leading strategic theme. Our approach is to apply regulation only where a financial service is being carried out and to acknowledge that regulation should strike a reasonable balance between protecting consumers and allowing new ideas to be tested. With this in mind, in May 2017, the DFSA launched its Innovation Testing Licence (ITL), a financial services licence with carefully defined scope. The licence allows qualifying FinTech firms to develop and test innovative concepts from within the DIFC without having to meet the full regulatory requirements that would normally apply to financial services providers. The DFSA works with the firms to understand their business models and establish appropriate controls for relevant products and services.

We are pleased to be the first in the GCC region to formalise a tailored regime for loan-based and equity-based crowdfunding platforms, which represent an increasingly important source of financing for the SME sector. SMEs are a significant contributor to the UAE economy, accounting for around 84% of businesses in the UAE and contributing around 60% of UAE GDP. By creating a clear set of rules for crowdfunding platforms, we hope to encourage the sustainable development of such businesses and thereby contribute to the UAE Government's strategy of strengthening the SME sector.

DIFC GROWTH

As an increasingly mature financial centre, the DIFC has continued to be a strong contributor to the Dubai economic diversification strategy which forms part of the Vision of His Highness Sheikh Mohammed Bin Rashid Al Maktoum. Under the leadership of the DIFC's President, His Highness Sheikh Maktoum Bin Mohammed Al Maktoum, the scale and range of financial services provided in and from the Centre continue to expand. There are now around 611 entities regulated by the DFSA, of which 471 are direct providers of financial services, coming from all corners of the world, while the remainder provide ancillary services. The latter include some of the world's leading legal and accountancy firms. Dubai is now ranked among the top ten of the world's financial centres in The Banker magazine.

DFSA'S REGULATORY PHILOSOPHY

The DFSA's risk-based approach to regulation, and to the allocation of resources, is firmly embedded throughout the organisation. This helps us in our continual efforts to ensure strict financial discipline. We are conscious of the large volume of new rules and regulations which have been introduced in other financial markets in response partly to the global financial crisis ten years ago. While accepting that larger capital buffers and stricter supervision were and still are needed, we go to considerable lengths to minimise complexity and maintain clarity in our rules, while ensuring their rigorous and impartial enforcement. We remain resolutely committed to maintaining within the DIFC the strictest application of Anti-Money-Laundering and Counter-Terrorist-Financing measures. Our independence in all regulatory decision-making is of paramount importance to us and has been scrupulously maintained. We believe that our firm but user-friendly approach to regulation is an important factor contributing to the success of the DIFC.

FACILITATING DUBAI'S ISLAMIC ECONOMY INITIATIVE

In line with the Islamic Economy Initiative of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the DFSA has focused considerable effort on developing an effective and supportive regulatory framework for all types of Islamic finance activity, including the listing of Sukuk on Nasdaq Dubai. The DFSA continues to participate in the activities and workshops of the Dubai Islamic Economy Development Centre, which plays the lead role in this Initiative. The DFSA also jointly hosted a seminar with the Islamic Finance Standards Board on liquidity-generating initiatives in Islamic finance. The DIFC continues to build its position as one of the leading centres for Sukuk listings globally. The total value of such listings on Nasdaq Dubai is now approximately USD 49 billion.

HELPING TO BUILD THE SOUTH-SOUTH CORRIDOR

The shift towards Asia of the world's economic centre of gravity is making itself felt strongly in the Middle East. The DIFC seeks particularly to facilitate interactions between Asian and Middle Eastern banks to boost regional trade, project finance and the engagement of asset managers across the region. Chinese, Japanese and Indian banks occupy the top positions in the DIFC in terms of assets. The role of banks and other DIFC firms in facilitating trade and investment between Asia and Africa is also expanding rapidly.

INTERNATIONAL ENGAGEMENT

The DFSA continues its policy of engaging actively with its counterparts in other financial centres and with the top management of international firms authorised to operate in the DIFC. In April, the Board and members of the senior Executive met the China Banking Regulatory Commission, as well as the Chairmen and Presidents of the four largest Chinese banks, all of whom are represented in the DIFC. We maintain similarly close links with the Reserve Bank of India and the nine Indian banks in the DIFC. In September, I met both the outgoing and incoming Group Chairmen of HSBC in London.

We also continue to have an active channel of communication with the authorities in Europe (including the Financial Conduct Authority in the UK) and the US, where during the year we met the Heads of various regulatory bodies and Government departments.

The DFSA remains committed to participating actively in the work of leading international organisations such as the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the Islamic Financial Services Board (IFSB) and the International Organisation of Securities Commissions (IOSCO). This year has also seen the DFSA commit significant resources to preparing for the upcoming fourth round of the FATF Mutual Evaluation of the UAE, scheduled to take place in mid-2019.

COOPERATION WITH UAE FEDERAL REGULATORS

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

DEVELOPING UAE TALENT

Looking toward the future, the DFSA remains committed to developing the UAE National Capability. In 2017, we introduced the Taqadum Programme to further develop experienced UAE Nationals, for whom individual Personal Development Plans have been put in place. This programme placed a UAE National at a major UAE bank to develop experience in Trade Finance. In 2018, the DFSA plans to make use of international secondments to further the development of "stress testing" expertise. The DFSA also has six UAE National Graduates on its flagship TRL Programme and plans to take on board more graduates in 2018.

DFSA BOARD

In September, His Highness Sheikh Maktoum Bin Mohammed Al Maktoum appointed two new members to the DFSA Board, Ms Julie Dickson and Ms Teo Swee Lian. Together they bring extensive regulatory experience, connectivity to North America, Continental Europe and South East Asia, and deep knowledge of the banking, capital markets and insurance sectors.

Ms Dickson worked most recently at the European Central Bank, where she oversaw banking supervision and sat on the Supervisory Board of the Single Supervisory Mechanism. Prior to working with the ECB, Ms Dickson was Head of the Office of the Superintendent of Financial Institutions in Canada.

Ms Teo joins the Board after spending 27 years at the Monetary Authority of Singapore, where her last executive role was as Deputy Managing Director responsible for the regulation and supervision of all institutions in the banking, insurance and capital markets sectors, as well as for systemic risk oversight and macro-prudential surveillance.

As always, I would like to thank my fellow Board Members for their unfailing support, sound advice and collective expertise. They contribute greatly to the operational work of the DFSA, both individually and through the Board's various committees, as well as overseeing the strategic direction of the organisation and making major policy decisions.

I also wish to express my warm thanks to the DFSA Executive team and DFSA staff for their willing and efficient carriage of a heavy workload throughout the year and their continued dedication to maintaining the DFSA's position as an internationally respected regulator.

Finally, I would like to express my gratitude for the consistent support which the DFSA and the DIFC have received throughout the year from His Highness the Ruler of Dubai and from His Highness the President of the DIFC and His Excellency the Governor of the DIFC, as well as from members of the senior leadership of the UAE and of Dubai. Such support is the foundation on which our success is based.

We look forward with confidence to 2018 and expect this to be another challenging but successful year.

Saeb Eigner
Chairman

Statement by the Chief Executive

Ian Johnston
CHIEF EXECUTIVE

In 2017 we continued to see our regulated activity grow, by number of entities and by the services being offered from the DIFC. The DFSA has some 600 entities as part of its regulated community, made up of 471 Authorised Firms and 16 Registered Auditors and 122 Designated Non-Financial Businesses and Professions (DNFBPs), as at December 31, 2017.

The aggregate balance sheet of firms regulated by the DFSA has expanded significantly in recent years, which is indicative of the depth of the operations being carried out from here. The DIFC has now emerged as a reinsurance hub for the Middle East and Africa region, bringing with it growing expertise, wider product offerings and increased underwriting capacity.

We have also seen a notable growth in asset management; funds activity in the DIFC has increased with the DFSA processing a total of 21 fund applications in 2017. We expect this trend to continue. According to the DIFC Wealth & Asset Management Report 2017 published in partnership with Thomson Reuters last September, total assets under management (AUM) by fund managers in key Middle East, Africa and South Asia financial centres is expected to grow to USD 678.9 billion by 2020, up from USD 436.5 billion at the end of 2016. Looking specifically at the fund managers in the GCC, the report forecasts fund managers will more than double their AUM to USD 110.9 billion in 2020.

In the past 12 months, our Qualified Investor Fund regime attracted the highest activity with five Funds, followed by four Exempt Funds and two Public Funds, including a Real Estate Investment Trust listed on Nasdaq Dubai. The real estate sector was the single biggest asset class for Fund Managers. We are currently working with our stakeholders to further enhance the funds regime in the Centre.

While we continue to see increasing maturation in traditional financial services activities in the Centre, we also see appetite to participate from financial technology (FinTech) operators. In the pages ahead, you will see the work that the DFSA has put into building a framework that deals with the specific needs of this industry while protecting consumers and investors. In May, for example, we introduced our Innovation Testing Licence, a special class of financial services licence that allows FinTech firms to develop and test innovative concepts from the DIFC. In August, we introduced a bespoke framework for loan and investment crowdfunding platforms, in what was a first for the GCC.

The DFSA's approach to this industry is consistent with our risk-based approach to regulation. Our strategy is very much in line with the Dubai Government's identification of the DIFC as a FinTech Hub. We are working closely with the DIFC Authority and with other government departments and agencies to give effect to this strategy.

The DFSA is also proactively working towards simplifying how our stakeholders engage with us and how we analyse our markets through better use of technology, data capture and analysis. That said, developments in FinTech moves at a rapid pace and we will need to remain up to date with the opportunities presented yet vigilant about the risks that they pose and plan for the future.

In January 2017, we issued our 2017/2018 Business Plan, setting out our strategy for the next two years. The same three strategic themes – delivery, sustainability and engagement – that were identified in our 2015/2016 Business Plan remain relevant and continue to drive our work over the course of 2017 and 2018. We added Innovation, given the developments noted above and our own focus on better technology, as a new strategic theme.

Delivery relates to executing our core functions with professionalism and efficiency. We maintain high quality regulation as the scale of the regulated activities in the DIFC increases. We continue to deploy technology to improve the ease with which our regulated community deals with us and, to introduce greater efficiencies in our own processes. We will also work with our DIFC partners to provide more of a 'one-stop-shop' for new applicants.

Sustainability refers to how we positively shape our environment and organisation for the long-term by enhancing organisational robustness and resilience. This includes building clear, efficient and scalable regulatory and non-regulatory processes. Our efforts in aligning with the Dubai Government's 2021 Strategy and the Islamic Economy Initiative in relation to financial services form part of this.

Another key element is to continue to build UAE National Capability. Our Tomorrow's Regulatory Leaders Programme has produced 33 managers for the organisation and more senior capacity is being developed through a number of new initiatives including the launch of the Taqadum management development programme.

Engagement relates to how we engage with key stakeholders, international and regional regulators and the broader industry, including global standard setters and associations. Since the start of the year, we have formalised cooperation agreements with authorities in Europe, Hong Kong, Malaysia, Lebanon and Kuwait. As the DIFC has evolved, the need for us to strengthen relationships in the immediate and broader region has grown. We continue to foster strong relationships with key 'home' regulators of our largest firms. In December we were honoured to host The Right Honourable the Lord Mayor of the City of London, Alderman Charles Bowman at an event hosted in partnership with the Institute of Chartered Accountants in England and Wales and we are also more actively engaging with local and regional authorities.

The DFSA also continues to carry out its work with key global standard-setters. Efforts continue to make robust technical contributions to global work in Islamic finance, banking, securities and insurance.

These are all steps towards fulfilling our mandate to deliver a regulatory environment that supports the development of the DIFC as a leading centre for financial services.

Ian Johnston
Chief Executive

Who We Are

The DFSA

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

The DFSA's regulatory mandate includes asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange, and an international commodities derivatives exchange.

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

Our Vision, Mission, Regulatory Approach and Values

OUR VISION

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

OUR MISSION

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

REGULATORY APPROACH

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

VALUES

To expect high standards of ethical conduct and integrity from the DFSA and its people.

To demonstrate professionalism, independence, efficiency, leadership, and resolve in the discharge of our responsibilities.

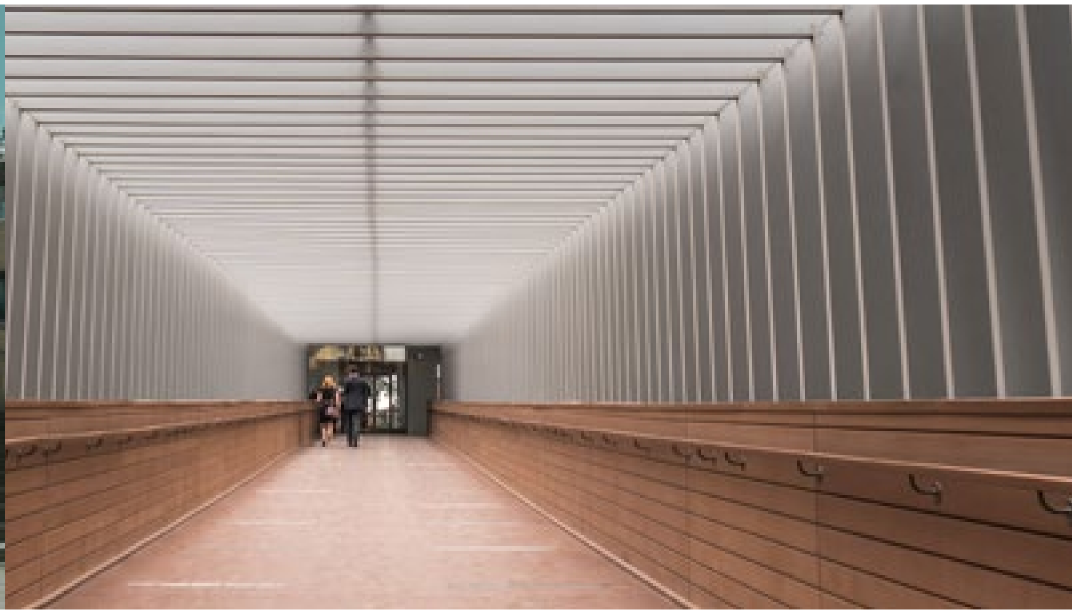
To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.

DFSA Objectives

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

- Foster and maintain fairness, transparency and efficiency in the financial services and related activities carried on in the DIFC;
- Foster and maintain confidence in the financial services industry in the DIFC;
- Foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
- Prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC through appropriate means, including the imposition of sanctions;
- Protect direct and indirect users and prospective users of the financial services industry in the DIFC; and
- Promote public understanding of the regulation of the financial services industry in the DIFC.

Principles



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

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

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

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

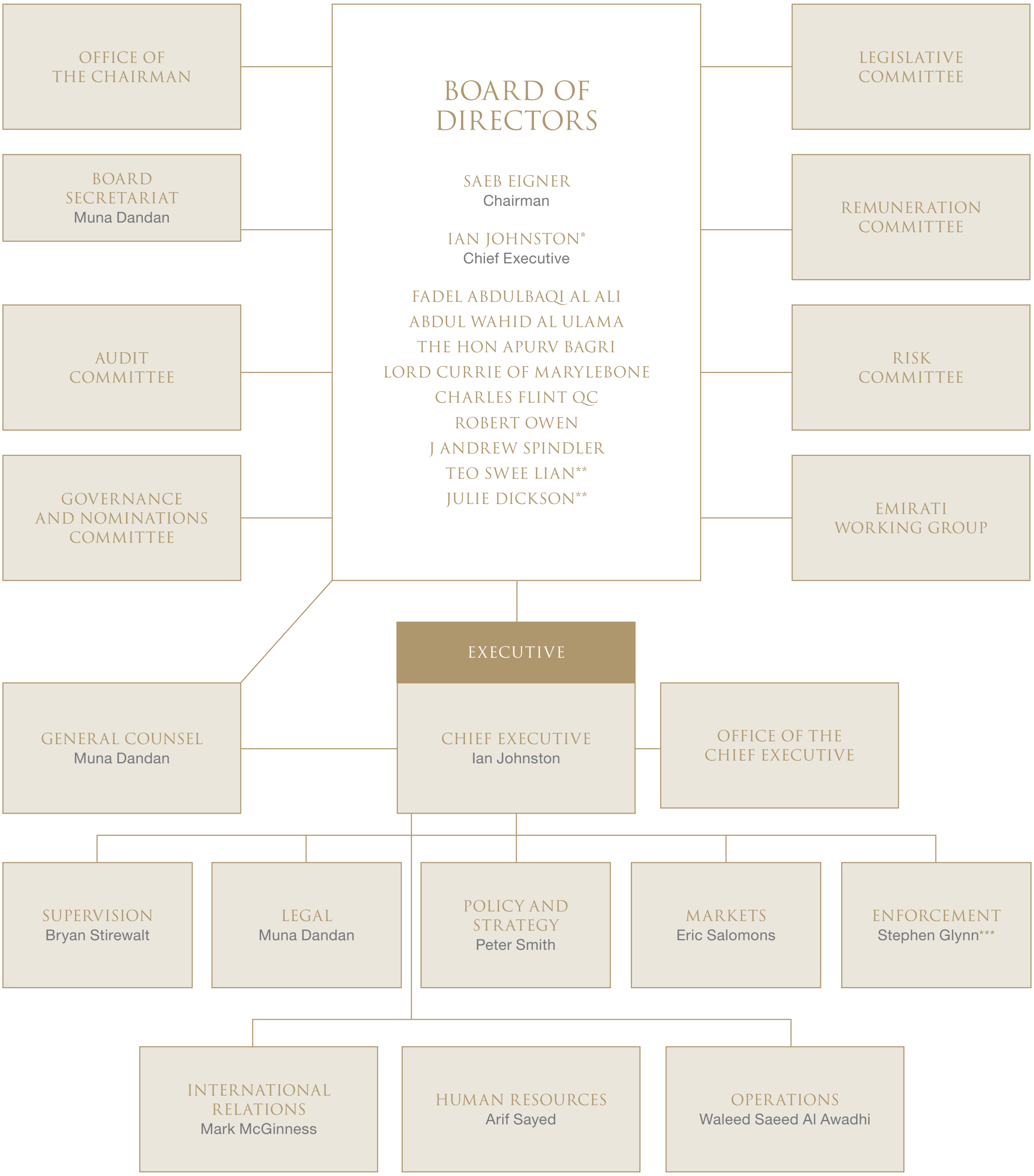
Values and Ethics

THE DFSA VALUES REFLECT THE CORE DIFC OPERATING PRINCIPLES OF INTEGRITY, TRANSPARENCY, AND EFFICIENCY. THESE ARE FIRMLY EMBEDDED IN THE DFSA'S RULES AND PROCEDURES AND INCORPORATED IN THE DFSA CODE OF VALUES AND ETHICS FOR EMPLOYEES.

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

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

DFSA Governance Model



* Ex-officio as at 31 December 2017
** Teo Swee Lian and Julie Dickson joined the Board in September 2017
*** Stephen Glynn left the DFSA in August 2017

DFSA BOARD OF DIRECTORS

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

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

- Exercise the legislative powers of the DFSA;
- Appoint members to the FMT;
- Ensure that the DFSA exercises its statutory powers and performs its statutory functions in accordance with its objectives;
- Make policies relating to the regulation of financial services and related activities;
- Make provision for the consideration of adjudication on and the application of penalties in relation to disciplinary and other matters;
- Review the performance of the Chief Executive;
- Give the Chief Executive directions;
- Arrange for the DFSA to enter into cooperation 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. All Board Directors are appointed by the President of the DIFC for three-year terms.

As at 31 December 2017, the Board consists of 11 members and all but the Chief Executive are independent non-Executive Directors. The Board is supported by the Secretary to the Board of Directors who is also the General Counsel.

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

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

Some committees include members who are not members of the Board but have particular expertise, which is helpful in carrying out the work of the committees. The Chairman of the DFSA Board is an ex-officio member 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 2017

	Committees						
	Board	Remuneration Committee	Legislative Committee	Governance & Nominations Committee	Audit Committee	Risk Committee	Emirati Working Group
Saeb Eigner	6/6	2/2		1/1		2/3	
Ian Johnston	6/6	2/2	4/4	1/1	5/5	3/3	2/2
Abdul Wahid Al Ulama	6/6		4/4			3/3	2/2
Fadel Abdulbaqi Al Ali	5/6	2/2			5/5		2/2
J Andrew Spindler	6/6			1/1	5/5	2/3*	2/2
Lord Currie of Marylebone	6/6	2/2		1/1			2/2
Charles Flint QC	6/6		4/4			3/3	
Robert Owen	5/6		4/4			3/3	
The Hon Apurv Bagri	6/6	2/2		1/1	5/5		
Julie Dickson	3/6**		2/4***		2/5***		
Swee Lian Teo	3/6**			1/1***		1/3***	1/2***
Michael Blair QC			4/4				
Peter Casey			4/4				

* J Andrew Spindler stepped down from the committee 25/10/17
** Julie Dickson & Swee Lian Teo appointed as Directors from 01/09/17
*** Julie Dickson & Swee Lian Teo appointed to committees from 25/10/17

DFSA Board Member Profiles
(AS AT 31ST DECEMBER 2017)

SAEB EIGNER

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

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

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

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

He holds and/or has held a number of Board appointments in banking, strategy, education, regulation and investment.

IAN JOHNSTON

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

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

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

Mr Johnston is a past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters IOSCO, IAIS and the Basel Committee. 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 Financial Stability and Technical Committee of the IAIS, the global standard-setting body for insurance regulation, and was a member of the Board of Directors of the Financial Planning Standards Board from 2011 to 2016.

THE HON APURV BAGRI

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

Mr Bagri was appointed to the Board of the DFSA in September 2004 and became the Board's Deputy Chairman in June 2017.

He is a past Chairman and current Board member of the International Wrought Copper Council, which represents the global copper fabricating industry. He is a Board member of Hong Kong Exchanges and Clearing Limited (HKEx), Chairman of the Governing Body of London Business School, a Commissioner of the Crown Estate Paving Commission, and a Trustee of Asia House.

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

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

Mr Bagri is Chairman of the Board's Governance and Nominations Committee.

LORD CURRIE OF MARYLEBONE

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

Since September 2012, he has been Chairman of the Competition and Markets Authority, the UK's competition body that replaced the Office of Fair Trading and the Competition Commission. Since October 2017, he has also served as Chairman of the UK Advertising Standards Authority.

He was the founding Chairman of Ofcom, the converged UK regulator for electronic communications between 2002 and 2009) and Dean at Cass Business School between 2001 and 2007. Prior to that, he was Deputy Dean at London Business School, and on the Board of Ofgem, the UK energy regulator, and a variety of other UK Government bodies. He has also served as director of the Abbey National, the Royal Mail, BDO UK, IG Group and the London Philharmonic Orchestra. His academic research has been in monetary and macroeconomic policy and regulation. He sits on the cross-benches in the House of Lords.

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

CHARLES FLINT QC

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

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

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

He is a 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, and Chairman of the independent tribunal of the International Tennis Federation.

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.

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

ABDUL WAHID AL ULAMA

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

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

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

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

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

ROBERT OWEN

Robert Owen has wide-ranging experience as a regulator and a market practitioner, particularly in the Asia-Pacific region.

He established the HKSFC and was appointed its Executive Chairman in 1989. Before this, Mr Owen was Director of Investment Banking at Lloyds Banking Group and Chairman and Chief Executive of 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, Chairman of Repton International Schools Ltd, a Director of Singapore Exchange Limited, Sunday Communications Limited, European Capital Co Limited and various other companies and investment funds.

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

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 sectors 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 holds PhD and MPA degrees 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 and the Bretton Woods Committee.

Mr Spindler is Chairman of the Board's Audit Committee.

JULIE DICKSON

Julie Dickson has had a career focusing on financial institutions supervision and regulation. She was a member of the Supervisory Board of the European Central Bank, between 2014 and 2017, where she was responsible for overseeing European banks.

Prior to that, she spent 15 years at the Office of the Superintendent of Financial Institutions in Canada, heading the office from 2006 to 2014. In addition, Ms Dickson served for 15 years with the Canadian Department of Finance, focusing on financial institution policy issues. She has been a member of the Financial Stability Board, the Basel Committee on Banking Regulation, and the boards of the Canada Deposit Insurance Corporation and the Toronto Leadership Centre.

She currently sits on the Canadian Public Accountability Board, which oversees audit firms in Canada. She has been awarded the Order of Canada for her work in Canada, and globally, in the area of financial institution regulation and supervision.

FADEL ABDULBAQI AL ALI

Fadel Al Ali is Group Chief Customer Experience and Digital Officer at First Abu Dhabi Bank.

Mr Al Ali was the CEO of Dubai Holding, a global group with assets of USD 35 billion across 21 countries and interest in 14 economic sectors. In his role as COO, Mr Al Ali was responsible for overseeing Dubai Holding's financial, legal and operational strategies. Mr Al Ali led the financial restructuring of Dubai Holding's investment groups and led the new business model of Dubai Holding as a strategic investor.

Mr Al Ali sits on boards of leading institutions including Emirates Integrated Telecommunications Company (du), EMAAR MISR for Development SA E- Egypt, Abu Dhabi Capital Group and Abu Dhabi Financial Group.

Mr Al Ali started his career at Citibank in 2001. Mr Al Ali was appointed UAE Head of Distribution, before leaving to join Dubai Holding in 2005.

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

TEO SWEE LIAN

Teo Swee Lian joins the Board after spending 27 years at the Monetary Authority of Singapore (MAS). Her last executive role was as Deputy Managing Director in charge of Financial Supervision.

In that role, Ms Teo was responsible for the regulation and supervision of all institutions in the banking, insurance and capital market sectors, as well as for systemic risk oversight and macro-prudential surveillance. She represented MAS on various international fora including the BCBS and various standing committees and working groups of the Financial Stability Board.

Ms Teo is a non-Executive director on the Board of Avanda Investment Management Pte Ltd and chairs its Audit and Risk Committee.

She is also an independent non-Executive director on the Board of HKEx-listed AIA Group Ltd, where she is also a member of its Risk and Nomination Committees. Ms Teo also serves as an independent director on the Board of SGX-listed Singapore Telecommunications Ltd, and is a member of its Audit Committee, Executive Resource & Compensation Committee, and Chair of its Risk Committee.

Ms Teo has served on the Boards of the Civil Aviation Authority of Singapore between 2002 and 2010, and Infocomm Investments Pte Ltd from 2000 to 2005.

Ms Teo was awarded the Singapore Public Service Administration Medal (Gold) (Bar) in August 2012. She graduated with a B.Sc. (First) in Mathematics from Imperial College, London University in 1981, and an M.Sc, in Applied Statistics from Oxford University in 1982.

DFSA BOARD COMMITTEES

LEGISLATIVE COMMITTEE

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

During 2017 LegCo members were:
• Charles Flint QC (Chairman)
• Abdul Wahid Al Ulama
• Julie Dickson
• Robert Owen
• Michael Blair QC *
• Peter Casey *
• Saeb Eigner **
• Ian Johnston ***
• Muna Dandan ***
• Peter Smith ***

* External member
** Ex-officio
*** Executive member

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

In 2017, LegCo recommended to the Board final changes on the regulation of loan-based crowdfunding, the first such regime to be introduced in the GCC region. LegCo approved consultation on, and then recommended final revisions to, the DFSA's regime for investment-based crowdfunding, as well as changes arising from the introduction of the Basel III standards in the areas of capital and liquidity. In addition to these major policy projects, LegCo approved consultation, and later recommended final revisions, to update the DFSA's regulatory fees. In each of these matters, the DFSA Board subsequently made or amended rules, as appropriate.

Also in 2017, LegCo approved public consultation on enhancements to the DFSA's funds regime, as well as on a range of miscellaneous matters. The Committee considered responses to a public consultation on the use of financial technology (FinTech) to deliver innovation in the financial services industry, and the introduction of the DFSA's Innovation Testing Licence. LegCo also considered the DFSA's approach to a resolution regime in the DIFC and approved publication of a Discussion Paper for public comment. The Committee also considered the development of family wealth management services in the DIFC, and discussed the mitigation of particular risks that fall within the responsibility of LegCo.

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 in 2017 were:
• J Andrew Spindler (Chairman)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Julie Dickson

During 2017, the Audit Committee reviewed the audit report prepared by external auditors on the Financial Statements for 2016 and discussed this with the auditors. The DFSA received an unqualified audit opinion in respect of the financial statements and the system of internal controls for the year ended 31 December 2016.

The Committee engaged a third party to conduct an independent compliance review in respect of the DFSA's Financial Approval Authority Matrix and to conduct an audit in respect of the payment of national pension contributions. The Committee also oversaw

an independent assessment of the vulnerability of DFSA's IT security to external factors, as conducted by a third party.

In addition, the internal audit function conducted an audit of the key controls in Human Resources, reviewed the implementation of KPIs for investigation activity in Enforcement, and reviewed testing of Business Continuity arrangements.

The Committee reviewed the draft budget for 2018 prepared by the Executive and recommended it for approval by the Board.

RISK COMMITTEE

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

Risk Committee members in 2017 were:
• Robert Owen (Chairman)
• Abdul Wahid Al Ulama
• Charles Flint QC
• Swee Lian Teo
• Saeb Eigner *
• Ian Johnston *

* Ex-officio

During 2017, the Risk Committee held three meetings at which it carried out the following regular activities:

- debated current macro level and global issues and considered the extent to which these issues might impact on the DFSA or the development of the DIFC;
- reviewed the Risk Inventory, prepared by the Executive, to determine whether the correct (non-firm specific) risks had been identified as the highest priority risks that the DFSA faces;

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

The Committee also discussed, during 2017, the specific risks that the DFSA faces in the area of AML/CTF, the mitigating strategies currently in place in this area, and whether the DFSA should take a different approach to certain issues.

The Board of the DFSA considered, as usual, the various conclusions reached by the RiskCo and used these as inputs to the DFSA's strategic planning process.

GOVERNANCE AND NOMINATIONS COMMITTEE

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

Governance and Nominations Committee members in 2017 were:
• The Hon Apurv Bagri (Chairman)
• Lord Currie of Marylebone
• J Andrew Spindler
• Swee Lian Teo
• Ian Johnston *
• Saeb Eigner *

* Ex-officio

During 2017, the Committee reviewed the operations and requirements of the FMT and recommended to the Board the re-appointments of the President and other members of the Tribunal upon the expiry of their contracts. The Board approved the re-appointments as recommended by the Committee.

The Committee also reviewed the Board's membership and managed the process of identifying two potential new Board members, Swee Lian Teo and Julie Dickson, to compliment the Board's composition and to meet the Board's anticipated future requirements in terms of geographical and sector expertise. Both individuals were subsequently appointed to the Board by His Highness, Sheikh Maktoum Bin Mohammed Al Maktoum, President of the DIFC, on 1 September 2017.

The Executive reported to the Committee on complaints received during the reporting period 1 November 2016 to 31 October 2017 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 in 2017 were:
• Lord Currie of Marylebone (Chairman)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Saeb Eigner *
• Ian Johnston **

* Ex-officio
** Ian Johnston stepped down on 6 December 2017

During 2017, 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 2017, following a detailed and comprehensive review of the DFSA's remuneration structure and remuneration positioning strategy. This included a comprehensive review of market conditions including inflationary trends.

The Committee also made recommendations to the Board on the level of bonuses for DFSA employees reflecting performance in 2016.

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 DFSA.

The Committee also approved resources for the Taqadum Programme in view of its commitment to developing UAE National talent.

EMIRATI WORKING GROUP

The Emirati 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 young UAE Nationals.

During 2017, membership of the Working Group included selected Board members and members of senior management as follows:
• Abdul Wahid Al Ulama (Chairman)
• J Andrew Spindler
• Fadel Abdulbaqi Al Ali
• Lord Currie of Marylebone
• Swee Lian Teo
• Waleed Saeed Al Awadhi (Executive Member)
• Muna Dandan (Dean of the TRL Programme)
• Arif Sayed (Executive Member)

During 2017 the Emirati Working Group were instrumental in setting the direction for the Taqadum Development Programme. They also supported the HR Team to place two UAE Nationals; one locally in Emirates NBD and another internationally with the Bank of England.

FINANCIAL MARKETS TRIBUNAL

The Financial Markets Tribunal is a tribunal created under the Regulatory Law 2004 to hear and determine any reference, that is, to review a decision of the DFSA, where DIFC legislation provides that a matter may be referred to the FMT for review. The FMT also has jurisdiction to hear and determine any regulatory proceeding, where DIFC legislation provides that such a proceeding may be commenced before the FMT.

A decision of the FMT may, with permission from the FMT or DIFC Court, be appealed to the DIFC Court on a point of law.

The tribunal's members are appointed by the DFSA Board of Directors, but the tribunal is operationally independent of the Board and the DFSA Executive.

FMT members in 2017 were:
• His Honour David Mackie CBE QC (President)**
• Ali Malek QC**
• Bankim Thanki QC**
• Jeremy Gauntlett SC**
• John L Douglas**
• Patrick Storey**
• Ali Al Aidarous**
• Ali Al Hashimi**

** Refer to the DFSA website for their corporate profiles

In 2017 a DFSA decision was referred to the FMT and the matter will be heard in 2018.

DFSA Executives

AS OF 31 DECEMBER 2017

IAN JOHNSTON

Chief executive (refer to page 23 for his photo and biography)

BRYAN STIREWALT

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

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

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

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

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

PETER SMITH

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

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

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

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

MUNA DANDAN

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

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

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

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

WALEED SAEED AL AWADHI

Chief Operating Officer joined the DFSA in March 2013. He has over 16 years of international and local experience in leadership and strategy in financial services, Islamic banking, real estate, media and telecommunications industries.

He is responsible for strategic operational excellence at the DFSA by leading the development and implementation of world-class, innovative solutions and smart initiatives. Mr. Al Awadhi represents the DFSA on strategic initiatives with Government entities and with local and regional regulators and international standard-setters.

He plays a leading role in building UAE National capabilities both at the DFSA and the broader society. Previously, Mr Al Awadhi led the Marketing and Communication division at the Abu Dhabi Media, Priority Banking at Emirates Islamic Bank, and was Deputy Head of Retail Banking and Deputy Chief Marketing Officer at Dubai Bank, where he led Royal Banking and Wealth Management, Branding, Marketing and Communications. He was also the Global Director of Marketing and Sales at Sama Dubai, a member of Dubai Holding, and was responsible for over 20 international markets.

Mr Al Awadhi is an alumni of Harvard Business School where he completed the General Management Program. He has a Master of Law with a double major in Arbitration & Dispute Resolution and Financial Crimes & Money Laundering, and a Bachelor degree in Applied Business Science. Mr Al Awadhi published his first book entitled 'The Sustainability of Family Businesses in the United Arab Emirates – A Legal and Operational Perspective For Best Practice'. An article based on his book was recently published in the International Company and Commercial Law Review.

ARIF SAYED

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

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

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

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

ERIC SALOMONS

Director and Head of the Markets Division has developed his career in commodity and securities markets over the past 19 years. He has been involved in derivatives arbitrage, risk management and regulation.

Mr Salomons gained further wide-ranging and valuable experience of exchange operations, clearing houses and settlement systems as project manager for licensing and supervision of markets in Europe and the DIFC. He is a Member of the IOSCO Standing Committee for Commodity Derivatives Markets.

Prior to joining the DFSA, Mr Salomons worked at the Dutch Financial Services Regulator (AFM), where he was responsible for exchange regulation and a member of the working parties to the NYSE Euronext College of Regulators.

Mr Salomons started his career as a derivatives market maker on the Euronext exchange floor and Eurex for Amsterdam Option Traders (AOT). He has been registered with the Dutch Securities Institute since 2000 and is a Member of the Global Association of Risk Managers.

MARK MCGINNESS

Director, Head of International Relations, joined the DFSA in 2005 to establish, coordinate, and lead the DFSA's international activity. He has drafted and negotiated some 100 Memoranda of Understanding (MoUs), underlying the DFSA's commitment to cross-border cooperation.

Mr McGinness has more than 30 years of regulatory experience. At ASIC, he was successively Principal Legal Officer in Enforcement; the inaugural Coordinator of International Enforcement; advisor to the Chairman; Director, International Relations and a member of the Senior Executive Service.

Mr McGinness was ASIC's representative on IOSCO's Implementation and multilateral-MoU task forces and its Enforcement Standing Committee. He is currently a member of IOSCO's Assessment Committee, the central policy group responsible for IOSCO's Principles and Methodology. He also acts as a lead validator for the IAIS MMoU.

Mr McGinness was a member of the IMF's Financial Sector Assessment Programme team between 2004 and 2013.

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

DFSA Organisational Structure

THE GENERAL COUNSEL AND LEGAL DIVISION

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

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

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

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

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

The General Counsel also provides guidance on the DFSA's Code of Values and Ethics and oversees the TRL Programme.

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 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 (AFs) operating in or from the DIFC. The Supervision Division also monitors the work of Registered Auditors (RAs) 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 Designated Non-Financial Business or Profession (DNFBPs).

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

THE MARKETS DIVISION

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

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

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

THE ENFORCEMENT DIVISION

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

INTERNATIONAL RELATIONS

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

THE HUMAN RESOURCES DIVISION

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

THE OPERATIONS DIVISION

The Operation Division enables business at the DFSA through its departments - Corporate Affairs, Finance, Information Technology and Administration and Projects and Planning. The Division provides the operational and technological backbone and infrastructure for the smooth running of the DFSA and manages relationships with key stakeholders and the media to position the DFSA as a world-class organisation contributing to the local and national economy and facilitating international partnerships. The Division applies principles of business excellence and knowledge management in its operational model.

Key DFSA-Wide Initiatives

THIS SECTION HIGHLIGHTS THREE KEY INITIATIVES IN WHICH THE DFSA HAS COOPERATED INTERNALLY, ACROSS DIVISIONS, SO AS TO FOCUS TIME AND RESOURCES IN CONTRIBUTING TO THE WORK OF THE INTERNATIONAL STANDARD-SETTERS, BUILDING THE FINTECH ECOSYSTEM, AND FURTHERING THE DEVELOPMENT OF UAE NATIONAL CAPABILITY. THESE INITIATIVES HAVE PERMEATED THE ORGANISATION AND HELPED TO DETERMINE KEY DFSA-WIDE ACTIVITIES FOR 2017.

STANDARD-SETTERS

DFSA'S INVOLVEMENT

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

As in previous years, a key aspect of the DFSA's work in 2017 was to help shape the development of international standards and to ensure that they reflect the needs of jurisdictions such as the DIFC. Our involvement with the main international standard-setters included our direct participation in their work, as set out below, as well as responding to formal and informal consultations at the drafting stage, from these bodies. We continue to adopt agreed international standards into our regime in a way that is appropriate for the DIFC.

BANKING

The DFSA's Managing Director, Supervision, Bryan Stirewalt, co-chairs the Basel Consultative Group (BCG). The BCG provides a forum for deepening the BCBS's engagement with supervisors by facilitating dialogue with non-member countries on new BCBS initiatives early in the process. In this role, he is also an observer on the Basel Committee on Banking Supervision (BCBS). During 2017, the BCBS strengthened the regulatory framework for internationally-active banks by completing its post-crisis regulatory reforms. In 2017, the BCBS, jointly with the Financial Stability Board (FSB), also finalised a number of standards on recovery and resolution of financial institutions including recovery funding e.g. through total loss absorbing capacity (TLAC) for global systemically important banks. In response to these proposals, in 2017 the DFSA implemented changes to its prudential rules on capital and liquidity (in CPs 113 and 114) and consulted on a potential recovery and resolution framework for financial firms in the DIFC (Discussion Paper No 3).

INSURANCE

In the insurance sector, the Managing Director, Policy & Strategy, Peter Smith, has taken over from the Chief Executive, Ian Johnston, in representing the DFSA on the Financial Stability and Technical Committee of the International Association of Insurance Supervisors (IAIS). Owing to this, the DFSA continued to influence the IAIS's efforts to increase policyholder protection and maintain financial stability in four important areas of work:

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

Mr Smith is also a member of the Supervisory Material Review Task Force, which began its work in 2015. The Task Force has a mandate to review the drafting of several of the Insurance Core Principles and oversee the consistency of all the IAIS's supervisory publications. The DFSA's Director, International Relations, Mark McGinness, is a member of the IAIS MMoU Signatories Working Group, which assesses applications to become a signatory to the IAIS MMoU, which the DFSA adopted in 2010. Lastly, the DFSA's Associate Director, Insurance, Scott Lim, was a member in 2017 of the Task Force that reviewed ICP 13: Reinsurance and Other Forms of Risk Transfer. This ICP is important for the business done in the DIFC, the GCC's leading reinsurance hub, making it important for the DFSA to contribute directly to its revision.

SECURITIES AND MARKETS

In the securities sector, the DFSA's Chief Executive, Ian Johnston is a member of the Steering Committee of IOSCO's Growth and Emerging Markets (GEM) Committee – the only Associate Member of IOSCO to sit on this Committee. Mr Johnston participates in identifying issues, highlighting concerns, and shaping responses for developing securities markets, which constitute two-thirds of IOSCO's membership. The key issues for the GEM Committee in 2017 were exploring risks related to financial crime, business conduct, FinTech/cybersecurity, and sustainability in emerging markets.

The DFSA also participates in other IOSCO policy committees:

- The Head of Markets, Eric Salomons, is a member of Committee 2 on Secondary Markets, which focused on assessing liquidity in bond markets and transparency in corporate bond markets. Mr Salomons also participated in the work of Committee 7 on Commodity Derivatives;
- The DFSA's Head of Enforcement, acted as a member of the Committee on Enforcement and Cooperation (Committee 4) and the Multilateral Memorandum of Understanding (MMoU) Screening Group. In 2017, Committee 4 focused on the impact of Cloud Technology on enforcement practices, in addition to its work related to screening applicant jurisdictions seeking to become signatories to the IOSCO MMoU and the Enhanced MMoU; and
- The Director, International Relations, Mark McGinness, is a member of the Assessment Committee and Implementation Task Force Sub-Committee, which reviews and updates the IOSCO Principles and the Methodology facilitating their effective implementation. He also participates, together with the DFSA's COO, Waleed Al Awadhi, in the Africa and Middle East Regional Committee (AMERC).

The DFSA is also an observer on the Union of Arab Securities Regulators, a regional forum of Arab-speaking securities and markets regulators.

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 DFSA's contribution has been our participation in the efforts of the Islamic Financial Services Board (IFSB). The DFSA is a Member of the IFSB and attends all meetings of the IFSB Council. The DFSA, represented by, Senior Manager, Markets, Basheer Ahmad, has also been a member of the IFSB's Working Group on Disclosure Requirements for Islamic Capital Market Products, which was created in 2015. The DFSA contributed to this Working Group's drafting of an Exposure Draft of Guiding Principles on Disclosure Requirements for Islamic Capital Markets, which was finalised and published in April 2017. With the increased regulatory focus on investor protection, robust disclosure and transparency standards, the Guiding Principles aim to strengthen the overall regulatory framework and promote greater cross-border activity.

In addition, the DFSA is a member of the Consultative Group for Shari'a-Compliant Instruments and Transactions of the International Accounting Standards Board (IASB), where it is represented by Naweed Lalani, Associate Director, Supervision.

OTHER STANDARD-SETTERS

Although the DFSA's main engagement in 2017 involved participating in the activities of the international standard-setters discussed earlier, we have also contributed to the work of other standard-setters. This included work in the field of audit, through our representation on the International Forum of Independent Audit Regulators (IFIAR), where the DFSA chairs the Smaller Regulators Task Force. In April, the DFSA was among the first members to sign the IFIAR MMoU, which facilitates efficient and effective cooperation among audit supervisors. The DFSA also continued to follow developments in the field of accounting standards set by the IASB, in the context of the implementation of IFRS 9, relevant for many DIFC firms, as well as through membership of the Islamic Finance Consultative Group.

FINANCIAL TECHNOLOGY

The DFSA continues to recognise the importance of innovation and technology to support and enable financial services business models, products and services. FinTech can enhance and improve the efficiency of markets, leading to improved services and solutions and greater access to financial services for individuals.

Fostering of FinTech, and use of technology itself, is a strategic priority for the DFSA as reflected by the addition of Innovation to our strategic themes in our Business Plan in 2017. In this way, we are aligning our efforts with the National Innovation Strategy set out by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to create an innovation-friendly ecosystem.

WHAT HAS THE DFSA BEEN DOING?

In May, we announced our Innovation Testing Licence (ITL). The ITL is a restricted financial services licence designed specifically to allow qualifying FinTech firms to develop and test innovative ways to deliver financial services in or from the DIFC, without being subject to all the regulatory requirements that normally apply to regulated firms.

Under an ITL, applicants develop a regulatory test plan to describe the proposed business model, product or service, and the details of how it will be tested to see if it is ready for regulation. The DFSA has received a healthy interest in the ITL from FinTech operators globally, covering a wide range of FinTech activities. These include remittances via Blockchain, digital wallet operations to help the unbanked, and various wealth management solutions. The first ITL was issued in November to a UAE-based automated investment advice service and we are considering several other business models in this sphere.

In August, the DFSA formalised its approach to crowdfunding platforms, and introduced a bespoke regulatory framework for loan and equity-based platforms. We expect the regime will contribute to the sustainable development of this funding source for small to medium sized enterprise (SMEs) in Dubai and the UAE broadly.

The DFSA was an active contributor to the first FinTech Hive@DIFC accelerator programme, attending the selection meetings and supporting those firms wishing to apply for a financial services licence after the programme concluded. The FinTech Hive@DIFC was launched in January, in partnership with Accenture, to offer start-ups and more established FinTech firms the opportunity to develop, test and modify their innovations in collaboration with, and mentored by, global and regional financial institutions.

With increasing momentum behind FinTech, regulators globally are focused on these developments and how they can be accommodated. In order to keep up to speed with market developments, and to align our FinTech approach with others, the DFSA has entered in to a number of cooperation agreements with regulators from Hong Kong, Malaysia and Australia (see Appendix 5). These bilateral agreements allow us to share information on developments in each market and to refer to each other innovative businesses licensed in our respective markets.

WHAT NEXT?

Over the next year, the DFSA will keep developing its approach towards emerging FinTech innovations. The DFSA will also continue to align its work with the Government of Dubai and UAE initiatives, global regulators and organisations innovating through FinTech.

Further details around the DFSA's own use of technology will be discussed in the pages ahead.

DEVELOPMENT OF UAE NATIONALS

The DFSA maintains a strong commitment to the development of UAE National regulatory capability. While continuing to develop talent on the graduate-level Tomorrow's Regulatory Leaders Programme, the focus for 2017 has been on the development of UAE Nationals that have been in the organisation for some time. In May, the DFSA ran its first development centre for UAE Nationals engaged in technical roles within the organisation. This initiative was part of the newly-launched Taqadum Programme, which is targeted specifically at UAE Nationals with at least five years of experience.

Meaning 'to progress', the purpose of the Taqadam Programme is to prepare UAE Nationals to become organisational leaders when opportunities arise in the future. The DFSA worked with a global human development consultancy to assess a number of individuals leading to each having a fully customised programme of development over the next two years. The development centre provided a full and accurate view of each individual's capabilities, as well as career development discussions.

As part of the Taqadum Programme, participants are now engaged in development activities including leadership training, secondments and 'stretch' assignments within the business. By targeting UAE Nationals in this way, the DFSA seeks to create a body of individuals ready for future leadership positions.

More broadly, the DFSA continues to build capability among all UAE Nationals in the workforce at senior and junior levels supporting technical qualifications, leadership certifications, job rotations and external secondments. In 2017 a number of UAE Nationals also participated, with other colleagues, in a series of 'Strategy Talks' led by DFSA senior staff culminating in a day of 'looking forward' with senior leaders at which they presented their ideas for change and organisational development.

Efforts to develop our staff have the full support of the DFSA's Board. The interest of the Board in UAE National Development efforts is reflected in the oversight and guidance given by the Emirati Working Group to the Human Resources team in delivering the talent strategy.

2017 Divisional Initiatives

THE GENERAL COUNSEL AND LEGAL DIVISION

During 2017, members of the Legal Division, reporting to the General Counsel, were responsible for drafting the legislation required to implement all of the policy initiatives set out under the Policy and Strategy divisional initiatives following public consultation.

The Legal Division 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 Division also managed the review of draft Federal and Dubai legislation and assisted the Supreme Legislation Committee in such matters. The Division also provided advice and counsel in relation to complex authorisation queries involving international group structures.

The Division processed a number of waiver applications through the Rules and Waivers Committee and provided support and advice to the Decisions Steering Committee and the Decision Making Committee in respect of a large number of matters in 2017.

The Division was also responsible for reviewing and advising upon various contracts and insurance policies.

In 2017, a DFSA decision was referred to the FMT and the Legal Division is providing representation for the DFSA before the FMT.

In addition to managing and supervising the activities of the Legal Division, the General Counsel provided advice to the Board of Directors and its committees in respect of governance and legal issues in 2017.

The General Counsel also represented the DFSA on the DIFC Courts' Users Committee and DIFC Legal Group.

Finally, the General Counsel performed the role of Board Secretary in managing the business of the Board and its committees, including preparing meeting agendas and drafting papers for consideration by the Board, as well as preparing meeting minutes and maintaining registers of Board members' affiliations and other disclosures.

POLICY AND STRATEGY

During 2017, the Policy and Strategy Division completed a number of key policy projects, including:

- finishing the work started in 2016, with the publication of CP109 on 'Crowdfunding: SME Financing Through Lending', with final rules taking effect on 1 August 2017. The rules put in place the first framework in the GCC region for the proper supervision of loan-based crowdfunding;
- complementing CP109 was the publication of CP111, entitled 'Crowdfunding: SME Financing Through Investing'. This consultation, similarly, introduced the GCC's first framework for crowdfunding through equity and other investments. The final rules also came into force on 1 August 2017;
- also in the area of FinTech, we published CP112 'Testing FinTech innovations in the DIFC', which introduced our Innovation Testing Licence (ITL) (see Financial Technology section on page 45).

Since introducing the ITL, the DFSA has seen significant interest from those wanting to test innovative financial services, products and business models in or from the DIFC;

- as part of our commitment to adopting international standards (see Standard-Setters section on page 44), we published CPs 113 and 1114, titled 'Capital Requirements Review' and 'Liquidity Requirements Review', respectively. The paper on capital introduced a number of changes to our regime, to make sure we are in line with the Basel II standards, and to reflect our supervisory experience. The liquidity paper introduced the Net Stable Funding Ratio (NSFR), one of the two key elements of the Basel III liquidity framework. The NSFR requires banks and other relevant firms to maintain adequate liquidity ratios, related to the stability of their funding sources, for a period looking out to one year. The final rules from these consultations took effect on 1 January 2018; and
- the Policy and Strategy Division completed a strategic review of the DFSA's regulatory fees, to take into account the recent and anticipated growth of the DIFC over the medium term, and the need for the DFSA to evolve with that growth. We published CP110 'DFSA Fees' in February. The proposals in the paper took us further along the path of increasing the proportion of our costs borne by the regulated community, which is one of our long-term strategic goals. The final rules were made by our Board in June, but will take effect from 1 January 2018 to ensure that there was no immediate impact on firms, and to give the regulated community time to plan for fee changes and increases.

The Policy and Strategy Division also worked with colleagues to publish one consultation paper on miscellaneous matters during 2017. CP116 was published in September and post-consultation proposals will be discussed by the DFSA Board in February 2018.

We have continued to work to enhance our regime for the regulation and supervision of funds. CP115 'Enhancing our Funds regime' was published in October. It contains a wide range of proposals to give funds and fund managers greater flexibility and a wider range of options, should they wish to operate in different ways in some areas of the funds landscape.

A number of other projects are under way and are at varying stages of the policy development process. Firstly, we continue to work to introduce a resolution regime that is appropriate and workable for the DIFC. This is a complex and difficult piece of work, where we issued a public discussion paper during 2017. Secondly, we are reviewing our AML/CTF framework as part of our preparations for the FATF Mutual Evaluation of the UAE, which is planned to take place in mid-2019. Thirdly, we are looking at our rules for suitability of advice, against the background of court cases, and other developments, including a thematic review in this area (see Supervision section on page 49) that have suggested that clients do not always receive the service from firms that our rules requires. Lastly, we are looking at our rules on internal audit, to make sure they remain in line with international standards and good practice.

The Policy and Strategy Division has continued to spend considerable time in support of the DIFC Authority's review of the DIFC Companies Law (DIFC Law No. 2 of 2009). The revised Law has now been consulted on. It, and accompanying regulations, are expected to be finalised in the first half of 2018.

The Policy and Strategy Division contributed to the development of international standards for financial services regulation in 2017, with staff involved in the activities of various committees of the IAIS. In addition, we have:

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

RISK FRAMEWORK

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

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

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

Both of these discussions take place within the context of analysis of global/macro-level issues, which can highlight evolving trends that, over time, may become risks that the DFSA needs to mitigate through regulation, supervision or its operations.

STRATEGY AND BUSINESS PLANNING

The Policy and Strategy Division is responsible for analysis in a number of areas that contribute to the DFSA's strategic thinking. One output is the DFSA's Business Plan, produced and published every two years, covering the two years ahead. In the intervening year, an internal version of the Business Plan is prepared, but not published. During 2017 we have worked on the Business Plan for 2018/19, which was not published, but where the internal version was approved by the Board in December.

In 2017, the Division continued to analyse and report on, economic, political and other developments relevant to the DFSA's operations, as well as reporting on developments in the work of the international standard-setters (see Standard-Setters section on page 44).

OUTREACH ACTIVITIES CONDUCTED DURING THE YEAR

During the year Policy and Strategy staff have led outreach sessions on the amendments to the rules on Arranging, Representative Offices and Financial Promotions, as well as on the proposals to enhance our funds regime. Staff have also participated in sessions with the DIFC Insurance Association (February), the Annual Outreach Session to Registered Auditors (March), the Annual Supervision Outreach Session (May) and a briefing session for the Compliance Officers Networking Group (CONG) (November).

On the FinTech front, we took part in a number of sessions linked to the FinTech Hive@DIFC, during the first financial services accelerator programme run in the region. Policy and Strategy staff also spoke at a number of seminars and training courses during the year as part of the DFSA's broader engagement with stakeholders.

SUPERVISION

OVERVIEW

During 2017, we have focused on a number of supervisory and regulatory priorities. We continue to engage with our regulatory community through various outreach sessions (including DFSA's Annual Supervision Outreach Session) where we share trends, current risks and issues in the wealth management, broking, banking and insurance sectors. As part of our commitment to improving market conduct practices, the DFSA continues to engage with our regulatory peers both in the UAE and internationally through various forums including Supervisory Colleges, to discuss approaches for addressing concerns and risks common to our supervised entities.

AUTHORISATIONS

The DFSA licensed 68 Authorised Firms ("AFs") in 2017 versus a similar number in 2016. The number of new applicants is not fully indicative of the maturing and deepening of activity in the Centre as many AFs that were licensed in previous years are adding to their staff sizes and growing their product and service lines. The DFSA regulates a total of 471 AFs and has more limited regulatory oversight for 16 Registered Auditors (RAs) and 122 Designated Non-Financial Businesses or Professions (DNFBPs).

The DFSA continues to see strong growth in the banking and insurance sectors, and we have seen significant growth in the funds and asset management areas, with a noteworthy expansion of the number of Qualified Investor Funds (QIFs). Key drivers behind this recent growth in funds were revisions made to the capital requirements for fund managers and some refinements to the property funds and Real Estate Investment trust (REIT) regime. In addition, the DIFC Authority and the DIFC Registrar of Companies also put in place a range of incentives to enable funds business in the Centre.

At the end of 2017, we had 39 Fund Managers (including 2 External Fund Managers) and 41 funds established in the DIFC. More than half of our current funds were registered during 2017. This continued growth reinforces the status of the DIFC as the largest funds hub in the region. We also published a consultation paper this year, which will provide further opportunities for industry development.

SUPERVISION ACTIVITY

The Supervision Division commenced a restructure taking into account the types of firms in the DIFC at present, the future projected growth of both existing and new firms, our assessment of global and regional economic developments, and international regulatory developments. The primary objective of the restructure is to deploy supervisory resources more effectively and efficiently. In the short and medium term, the restructure will enable the DFSA to continue to focus on certain broad themes and apply enhanced supervisory attention to firms with higher risk profiles. The three key areas of continued focus for the DFSA's supervisory attention are:

- Conduct of Business Risks, which includes areas such as Client Classification and Suitability, client asset protection and financial crime;

- Prudential Risks, which includes areas such as credit risk, liquidity risk, market risk and actuarial risk; and,
- Operational Risks, which includes areas such as general corporate governance, back-office systems and controls, cyber risks and FinTech.

Over the year, we continued our emphasis on risk-based supervision in the following areas:

CONDUCT OF BUSINESS RISK

We completed and published a thematic review focusing on Client Classification and Suitability. The review generally highlighted several areas for improvement having identified that a number of AFs failed to adequately document their assessments in respect of client knowledge and experience; in many instances, AFs failed to record the sub-category of professional client classification in accordance with DFSA Rules; and a significant number of AFs limit the application of DFSA suitability requirements based on a client's classification but failed to provide a prior written notice to affected clients. We will continue to challenge AFs on their classification of Clients (Retail, Professional or Market Counterparties) to ensure the suitability of any products and services recommended for those Clients.

We focused attention on AFs that fall within our Client Assets regime to ensure they are complying with their obligations to ensure the proper safeguarding and segregation of Client Assets. When required, we have directed AFs to improve ongoing compliance by rectifying identified breaches and enhancing systems and controls.

Combating financial crime continues to remain one of our key regulatory priorities. The DFSA completed a financial crime thematic review on a selected number of AFs. The review generally highlighted areas for improvement, specifically involving the quality of Anti-Money Laundering (AML) Business Risk Assessments carried out and documented by AFs and their transaction monitoring frameworks. The DFSA continues to require AFs to remediate any identified weaknesses in AML systems and controls, including the required levels of initial and ongoing customer due diligence undertaken in respect of clients. This year has also seen the DFSA commit significant resources towards preparations for the upcoming fourth round FATF Mutual Evaluation of the UAE, scheduled to take place in mid-2019.

We conducted targeted surveillance activity of AFs engaged with Retail Clients to transact in contracts-for-difference (CFD), rolling spot forex contracts (FX), and binary options (collectively, OTC Derivatives). We continue to identify and share findings, good practices and those practices which in our view are likely to lead to poor conduct if not adequately managed. In July, the DFSA issued a "Dear SEO" letter setting out its expectations for retail OTC Derivatives offered from the DIFC. The DFSA intends to follow this "Dear SEO" letter with a formal public consultation proposal.

PRUDENTIAL RISKS

Banking business continued to grow over the year servicing clients across the region. We now regulate 35 wholesale-oriented commercial banking entities. A growing number of these banks are using the DIFC as their regional hub to offer their wholesale business activities in the Middle East, Africa and South Asia regions. Our supervisory focus is on ensuring that banks maintain adequate levels of capital and liquidity, commensurate with the nature of risks that they are undertaking. Asset quality, including the availability of appropriate levels of provisioning, is also an area of supervisory focus. We are monitoring the impact of IFRS 9 and proper implementation. The DFSA has also been focusing more attention on assessing the credit risk of large exposures.

The insurance market in the DIFC serves an important role for the region in providing reinsurance capacity, especially for commercial and specialty risks. Gross written premiums in the DIFC have continued to grow. With a dedicated insurance supervision team, the DFSA regulates the DIFC insurance market comprised of 83 insurance entities, being global reinsurers, intermediaries and managing agents. Our supervisory work focused on governance and risk management practices. We continued to work closely with key stakeholders in this area such as the DIFC Insurance Association and Lloyd's of London.

OPERATIONAL RISK AND FINTECH

As mentioned earlier, we finalised our crowdfunding regime covering both loan and investment-based crowdfunding activities. At the same time, we issued our approach to bolster innovation in the Centre with the introduction of the ITL and approved the first ITL licence in the Centre. Our approach in this regard is with a long-term view and we do not expect to finalise the development of the supervisory framework for these firms in 2018 but do expect to have made significant inroads in this regard.

Our focus on innovation generated a surge of interest from a wide range of potential business models, reflecting global trends in the FinTech space. During 2017, we received over 50 enquiries in the FinTech space and we expect to authorise more FinTech firms in 2018. Going forward, we recognise a challenge in crystallising our supervisory approach in accordance with the developing policy initiatives surrounding the full spectrum of FinTech business models.

We initiated a more focused approach on cybersecurity issues in 2017 with a public-private partnership approach as the best solution to address risks in this area. With increasingly high-profile cybersecurity incidents around the globe in 2017, we aim to establish a bespoke cybersecurity framework in 2018 that is commensurate with the level and depth of operations conducted in the Centre.

OTHER SUPERVISION ACTIVITY

The DFSA has been actively involved in a number of events focused on accounting and auditing, many of which were in cooperation with the Institute of Chartered Accountants of England and Wales. We have conducted a number of outreach events focusing on governance issues and the upcoming implementation of IFRS 9.

GENERAL ACTIVITY

The restructuring of the Supervision Division means that we will now have dedicated teams responsible for the entire regulated population in respect of each of the key risk areas of conduct, prudential and operational risk. This will mean that a dedicated Relationship Manager will only be assigned to AFs with larger footprints, heightened complexity or those that we determine require special supervisory oversight. This also means we will be carrying out less frequent vertically scheduled risk assessments for individual firms, and will conduct more horizontal risk assessments (thematic reviews), based on products and risks.

The DFSA continued to roll out several efficiency initiatives to further bolster our digitisation, automation and straight-through–processing (STP). As we stated during our 2016 report, we expanded the supervision portal to the vast majority of the firms for all enquiries. The same portal is used by all firms for their reporting obligations. We also rolled out our forms-online with the implementation of automated AML reporting during 2017.

Our web-based portal now extended its scope to cover the entire regulated population and we continue to improve the system with a near STP of all enquiries planned in the upcoming months. Our initial testing has been successful in this respect and we expect to roll out further improvements in due course and during 2018. While many of these process improvements will not be immediately visible to stakeholders, we expect efficiency improvements in response times and processing returns in the medium and long-term.

MARKETS

SUPERVISING MARKET INFRASTRUCTURE

In 2017, the DFSA Markets Division continued its efforts to ensure that market operators and clearing house operated in accordance with the highest international standards and in compliance with the Authorised Market Institutions (AMI) module. The DIFC has licensed two AMIs within its boundaries: Nasdaq Dubai and the Dubai Mercantile Exchange (DME).

In the course of supervising and monitoring AMIs in the DIFC, the Markets Division:

- supervised and monitored the AMI's equities and derivatives markets;
- reviewed and analysed market quality reports in addition to adding enhancements to the reports as a result of the developments and changes to the AMIs' business activities;
- reviewed and approved significant changes, such as rule changes, business initiatives, and new product launches;
- 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; and
- reviewed and monitored the central securities depository and Murabaha platform.

The derivatives markets in the DIFC continue to grow in volume and breadth as seen by the launch of an equity derivatives market on Nasdaq Dubai and the DME through the facilitation of crude oil auctions for national oil companies.

RECOGNITION OF REMOTE PARTICIPANTS IN THE DIFC MARKETS

In 2017, recognition status was granted to six firms and was withdrawn by five firms. Recognition is required for platforms or clearing members which do not have a physical presence in the DIFC and wish to undertake financial activity in the DIFC.

As part of the recognition review process, the Markets Division continued to cooperate with the Emirates Securities and Commodities Authority (SCA) and collaborated on common issues and concerns including conducting a joint field inspection of a Recognised Member. 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.

OPERATING OF THE LISTING AUTHORITY

The Markets Division also has responsibility for the approval of prospectuses and admission of securities to the DFSA's Official List of Securities (the List). The List contains names of Issuers who have had their Securities admitted to the List for the purposes of those Securities being able to trade on an AMI.

As a listing authority, the DFSA:

- Approves prospectuses;
- Admits Securities to the List;
- Sets minimum standards for initial listing and continuing obligations under the Markets Law; and,
- Enforces the standards and monitors issuers' continuing obligations.

In line with international best practice, the DFSA is committed to reviewing and returning comments on the draft listing applications made by debt issuers within three business days from receipt of relevant documents including each subsequent draft submission. The Markets Division grants approval within one business day from the date of receipt of a satisfactory final submission. Typically, bond, debenture, and Sukuk listing applications fall within this fast track review process.

In 2017 approximately 88% of the total applications received were processed within the fast track time charter. Non-fulfilment of all the applicable DFSA's Rules was the key reason for delaying approval.

In March, ENBD REIT, the second listed REIT in the DIFC, was admitted to the List.

OTC FIXED INCOME PROJECT

As part of the DFSA's efforts to ensure proper regulation of the trading activity in fixed income securities in the DIFC, the Markets Division conducted a review of the DIFC's OTC fixed income securities market to better understand its structure and the level and extent of transactional activity of these securities in or from the DIFC. As part of the project, AFs and financial service firms outside the Centre were interviewed and an online survey was conducted. Key observations revealed the DIFC to be home to an active and growing OTC trading environment for fixed income securities.

The Markets Division processes applications to determine equivalency with foreign jurisdiction's in respect of shares and foreign funds. In 2017, the DFSA approved one jurisdiction for the purpose of the listing of foreign collective investment funds; developed frameworks, templates and questionnaires for these assessments; and, provided feedback to subsequent applications made.

In May, the Division organised a joint seminar hosted by the DFSA and the IFSB on liquidity generating initiatives in Islamic finance. The event brought together senior delegates and subject matter experts from across the banking, financial services, regulatory and legal industries. The seminar provided a unique opportunity for the exchange of ideas, interaction and debate among the delegates.

Also in May, the Division co-hosted an event with the DIFC's FinTech Hive @ DIFC, Hawkamah and the Middle East Investor Relations Association (MEIRA) focusing on new financing opportunities for regional SMEs through FinTech. The event attracted over 150 participants and a number of high-profile expert speakers.

In collaboration with Nasdaq Dubai, the Markets Division, hosted an outreach session for Recognised Members of Nasdaq Dubai in December. The session covered the DIFC's Market Abuse Regime, the DFSA Code of Market Conduct, and highlighted the DFSA's regulatory and enforcement powers in respect of Recognised Members.

A key channel for investor education and issuer guidance are the Markets Briefs, which are published on the DFSA website. In November, the DFSA published a Markets Brief that provided guidance around the listing of foreign funds.

CONTINUATION OF LINKAGES BETWEEN THE EU, US AND DIFC MARKTS

On 29 March, the European Securities and Markets Authority (ESMA) recognised Nasdaq Dubai as a third-country CCP under Chapter 4 of Title III of EMIR, which opens the door for the EU clearing members to participate in Nasdaq Dubai. Nasdaq Dubai is the first equity CCP in the region and aims to encourage cross-border clearing activity between European clearing members and the CCP located in the DIFC. This in turn further strengthens the position of the DIFC as the hub from which international and regional financial institutions can conduct business across the region and strengthens the confidence of market participants in the Centre.

On 21 June 2017, The US Commodity Futures Trading Commission (CFTC) issued an Order of Registration (Order) to Dubai Mercantile Exchange Limited (DME), a Foreign Board of Trade (FBOT) located in the DIFC. Under the Order, DME is permitted to provide its identified members or other participants located in the US, with direct access to its electronic order entry and trade matching system. Prior to the issuance of the CFTC order, the DME had offered direct access to US participants in accordance with CFTC Letter 07-06, which was automatically withdrawn with the issuance of the DME Order.

ENHANCEMENT TO THE DFSA'S REGULATORY INFORMATION SYSTEM (RIS)

Along with other divisions within the DFSA, the Markets Division is working towards increased automation and paperless processing of the workflow via the rollout of enhancement to its Regulatory Information System (RIS).

ENFORCEMENT

INVESTIGATIONS

The Enforcement Division carried out nine investigations in 2017, five of which were carried over from 2016. The Division completed two investigations in 2017 with seven investigations ongoing at the end of 2017, including a number of complex investigations.

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

- corporate governance failures;
- systems and controls failures;
- AML control failures;
- unlicensed financial service activities;
- client take-on control failures;
- the provision of false and misleading information to the DFSA;
- obstruction of the DFSA's investigation;
- fraudulent conduct; and
- breaches of DFSA Principles for Authorised Firms and Authorised Individuals.

DFSA ENFORCEMENT OUTCOMES

The DFSA's policy is that it generally publishes information relating to enforcement actions that follow investigations. In 2017, investigations conducted by the Enforcement Division resulted in the following outcomes against individuals:

- five decisions made by the Decision Making Committee (DMC); and
- one Enforceable Undertaking.

The sanctions imposed by the DMC on individuals included:

- one public censure and one financial penalty of USD 25,000 on two individuals for providing false and misleading information to the DFSA;
- a fine of USD 52,500 (AED 192,675.00) and the restriction of an individual from performing any function in connection with the provision of Financial Services
  in or from the DIFC for:
  - being knowingly concerned in the provision of prohibited insurance intermediation services;
  - failing to ensure the business for which he was responsible complied with applicable rules; and
  - misleading the DFSA; and
- a public censure of an individual for failing to exercise sound judgment and diligence in performing the role of Finance Officer and for failing to take reasonable care to ensure that the business of the AF, for which he was responsible, complied with applicable legislation.

The DFSA accepted an Enforceable Undertaking from a Senior Executive Officer (SEO) of a DFSA Licensed Firm, which was authorised to carry out the Financial Service of Insurance Intermediation. The Enforceable Undertaking related to DFSA concerns that the individual had failed to act with due skill, care and diligence and take reasonable care to ensure that the business of the firm for which he was responsible was organised, so that it could be managed and controlled effectively. Under the Enforceable Undertaking, the individual was required to:

- withdraw as the SEO of the firm, and not perform the Licensed Function of SEO for any firm in the DIFC for three years;
- cause the firm to engage a new SEO; and
- pay a financial penalty of USD 70,000 (AED 256,900), of which USD 60,000 was suspended, but becomes payable if the conditions of the Enforceable Undertaking are not complied with.

The DFSA also has one matter pending before the FMT. The DFSA generally publishes information about the commencement or hearing of proceedings before the FMT, unless ordered otherwise. However, the DFSA does not generally publicise the full details of matters referred to the FMT unless it is appropriate to do so in the circumstances of the particular case. When the referral has been heard and determined, and unless ordered otherwise, the DFSA expects to publish the FMT's decision and any related action.

TRENDS

The investigations conducted by the Division in recent years have become increasingly complex and resource intensive.

The investigation and enforcement of DFSA AML requirements continued to be a key focus of DFSA enforcement activities in 2017.

FinTech and big data are the new challenges for the DFSA in the years ahead. Effective enforcement requires access to electronic information sources, and the ability to efficiently and effectively collate and analyse the information obtained from those sources.

The DFSA is responding to the technological challenges in two ways:

- by utilising the skills and expertise of market practitioners who are experts in such matters; and
- by developing, in-house, the skills and infrastructure required to adequately respond to the challenges of technological innovation.

COLLABORATION WITH OTHER REGULATORS

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

As a member of IOSCO's Screening Group, Enforcement has continued to work to develop and implement an enhanced international policy for the sharing of information by global securities regulators (i.e. an Enhanced MMoU) which will facilitate even greater levels of cooperation between securities regulators globally.

COMPLAINTS MANAGEMENT

Complaints continued to be an important source of intelligence for the DFSA. The DFSA received 138 complaints in 2017. This represented a slight increase to the number received in 2016.

Of the complaints, 92.8% were assessed and finalised by the DFSA within 28 days of receipt. In the remaining 8%, further enquiries and assessment were required to finalise the complaint.

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

SCAMS

The DFSA continued its efforts to educate consumers about scams. The DFSA received 61 complaints about scams, and issued 13 consumer alerts in 2017. The types of scams that came to the attention of the DFSA continued to include advance fee scams, cloning scams and scams in which the identities of the DFSA, DIFC, and firms within the DIFC and/or their employees were stolen or misused. The DFSA only issues alerts about scams where the fraudulent conduct affects the integrity of the DIFC.

ENFORCEMENT APPROACH

The DFSA continued its proactive enforcement approach in 2017, the aim of which is to take pre-emptive measures to identify misconduct before it becomes more serious. During the year, Enforcement worked closely with the Supervision teams to detect and remediate misconduct before it became a serious risk to the DIFC.

This approach continues to be successful, as concerns can be resolved in a more timely and facilitative manner with less cost to both the DFSA and the firms/individuals concerned. The DFSA takes into account cooperation by firms/individuals through its decision-making process.

INTERNATIONAL RELATIONS

REGULATORY COOPERATION

The prevailing mission of International Relations is to establish, build and maintain a level of confidence and trust among regulators that fosters mutual cooperation and the sharing of information. This is essential for effective oversight of the DIFC's international firms and any firm engaged in cross-border activity. The DFSA's discrete international function also enables the DFSA to play an influential role in crafting the global regulatory regime and providing a consistent approach to all of the DFSA's engagements and activities within the international sphere.

The DIFC Regulatory Law reflects international standards in allowing the DFSA to obtain information on behalf of other supervisory and enforcement agencies and to share that information with them. MoUs support this by giving structure and certainty to the process. They also reflect the level of comfort and, in some cases, a degree of equivalence that exists between fellow authorities. 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 2017, the DFSA had signed a total number of 101 bi-lateral MoUs and 5 multi-lateral MoUs.

Most of the key arrangements have been put in place but the advent of FinTech has given rise to, so far, a handful of FinTech-specific Cooperation Agreements to support this new market and to share opportunities, enhancements and challenges with other regulators.

Supervisory Colleges are now an established fora in

the supervisory regime and the DFSA, as the supervisor of subsidiaries and branches of banks and insurers with international links, is participating in a significant number of Supervisory Colleges, hosted by the home supervisor. In 2017, the DFSA participated in 13 Supervisory Colleges – attending ten; and participating remotely in another three by teleconference. By the end of the year, the DFSA's Supervisors had made considerable progress in planning a Supervisory College for HSBC Middle East; the inaugural meeting likely to take place in early 2018.

During the year, some 73 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. The latter indicates a further increase from 2016, reflecting a growing reliance between the DFSA and its fellow supervisors in oversight of a global financial market.

CAPACITY BUILDING

Collaboration with other regulators to enhance their analytical and technical capacity is an important aspect of the DFSA's International Relations programme. It also promotes a better understanding of the regulatory regime of each jurisdiction. The DFSA regularly receives delegations from regions and cities seeking advice on the establishment of financial centres, in particular, the DFSA 's experience in creating and sustaining a regulatory regime. In March, representatives from the Saudi Arabian Free Zone Authority visited for that purpose. In May, a group from the Bank of Abyssinia, Ethiopia, met with representatives of our Markets and Supervision Divisions. In November, a delegation led by the Governor from the Astana International Financial Centre, a new initiative from Kazakhstan closely modelled on the DIFC, met with senior executives.

HIGH LEVEL ENGAGEMENT

During 2017, in our efforts to ensure engagement by the DFSA with key jurisdictions at the highest level,International Relations instigated, briefed and accompanied the Chairman to meetings with fellow Chairs of the UK Financial Conduct Authority (FCA), the Autorité des Marchés Financiers of France, and the US CFTC; the Acting Chair of the Capital Market Authority of Saudi Arabia, the Vice Governor of Saudi Arabian Monetary Authority, the Acting US Comptroller of the Currency, the Superintendent of the New State Department of Financial Services; as well as some of the Group Chairs of the global banks that have branches in the DIFC. Similarly, DFSA Chief Executive, Ian Johnston met with his counterpart at the UK FCA, the Head of the Prudential Regulation Committee of the Bank of England, the Chair of the IOSCO Board, the Chair of IOSCO's Growth and Emerging Markets Committee, the Hong Kong Commissioner of Insurance, the Vice Chair of the CIRC, among others. The Chief Executive has also contributed to the work of the IFSB meeting in Council during the year.

REGIONAL RELATIONS

Close collaboration with the DFSA 's counterparts in the GCC and the Middle East remains a key priority. Ian Johnston continues to meet regularly with his federal counterparts, the Governor of the Central Bank of the UAE and the Acting Chief Executive of SCA, and, on the sidelines f of meetings of the IAIS, with the Director

General of the UAE Insurance Authority. Periodic and case-specific meetings at an operational officer level also take place with all three regulators.

During the year, the DFSA has intensified its engagement with the UAE Financial Intelligence Department (FID) in preparation for the UAE's FATF Mutual Evaluation in 2019. The DFSA has continued to work with the FID to improve the standard of SuspiciousActivity Reports lodged by DFSA regulated firms. The DFSA also engages with the FID to obtain and share information from the National Anti-Money Laundering and Combatting Terrorist Financing Committee.

In October, the DFSA entered into a hold with one of the region's newest regulators, the Capital Markets Authority of Lebanon. This arrangement complements the MoU already in place with the Banking Control Commission of Lebanon.

The DFSA remains an Observer at the Arab Union of Securities Authorities (UASA) and it continues to provide speakers and support the UASA's training initiatives and contributes to the Union's work on issues in common. The DFSA also awaits a decision on admission to the Arab Federation of Insurance Commissions, the UASA's insurance equivalent, which continues to limit membership to sovereign supervisors.

AMERC (IOSCO's Africa and Middle East Regional Committee) is one of the four regional committees established by IOSCO. It has 19 members who canvass and discuss critical issues for the wider region before they are considered by the full membership and implemented by the Board. At the 38th AMERC meeting, the Committee established a Working Group on the state of listings on Africa/Middle East Exchanges.

EUROPE

Given the importance of European branches and firms in the DIFC having access to its Europe's markets, the DFSA's relations with Europe are of great importance. The DFSA has formal bilateral relations with some 27 supervisory authorities in individual EU Member States. Pan-European bodies such as the European Central Bank and European Securities and Markets Authority (ESMA), have assumed responsibility in certain areas for regulation and supervision across the Member States.

The DFSA has already signed (in February 2013) an MoU with ESMA concerning oversight of CRAs. In July 2016 the European Commission (EC) concluded that the DFSA has competence in oversight, external quality assurance and investigation of auditors and audit firms. In February 2017, the Chair of ESMA and the DFSA's Chief Executive signed an MoU following a determination in mid-December 2016 by the EC that the DFSA and its exchange, Nasdaq Dubai, have a regulatory regime for central counterparties (CCPs) equivalent to those of the European Union.

HUMAN RESOURCES

Human Resources undertook a number of critical initiatives in 2017. The focus on employee development continued with learning and development across three areas, Emiratisation, Leadership Development and Regulatory, with 98% of our employees participating in off job development this year. Average learning days rose to eight days per employee in 2017 and the upward trend continued in online learning with increased participation by our employees.

In 2017, Senior Management also led a number of team building days to enhance team dynamics, discuss strategy, build technical knowledge and celebrate team achievements.

In line with DFSA Development Strategy, cross functional training through project work and short term placements continues to give good results including the enhancing of Employee engagement.

The Introduction of Taqadum Programme to develop UAE Nationals beyond senior manager level was launched and individual Personal Development Plans have been put in place. The DFSA board has allocated sufficient budget to this initiative. The DFSA also has six UAE National Graduates on its flagship TRL Programme.

Across the board, Human Resources has revisited its policies and processes to provide better services to its employees, better support to line management and continually improve its effectiveness in the organisation. In line with this ethos, process automation continued to be at the core of the Human Resource system upgrades in 2017 and well into 2018.

On the recruitment front, the DFSA on-boarded 11 new employees in 2017 from various jurisdictions including Egypt, India, Spain, Sri Lanka, the UK, and the US. Employee turnover remained low at 6.9% and average employee tenure remained stable at 6.56 years.

Throughout the year with the changing labour market, Human Resources has been proactively taking part in discussions with other Financial institutions and other consultants on areas such as salary movements and recruitment trends.

All these initiatives underline the DFSA's efforts to be an employer of choice.

OPERATIONS

In 2017, the Division embarked on a strategic review of the operational and technological infrastructure of the DFSA to identify opportunities to increase automation and process improvements, through digitisation and artificial intelligence (AI), in line with international best practice.

The review is designed to enhance productivity and optimise costs through improved use of technology as part of the DFSA's strategic themes, particularly Innovation, and is aligned with the Government of Dubai initiatives including the Smart Dubai and National Innovation Strategy (see Innovation section on page 60).

The findings of the review are currently being explored and include extending the use of AI beyond cybersecurity to business applications throughout the organisation such as the Authorisations process.

The Division also focused on developing stakeholder understanding of the DFSA's strategy and decision-making process through outreach events, corporate publications, media outreach, consumer alerts and notifications.

CORPORATE AFFAIRS

In 2017, the Corporate Affairs department managed stakeholder relationships, both internally and externally, to ensure that the DFSA delivered on its values of transparency and accessibility.

The department engaged local and international media to give visibility to the DFSA's strategic initiatives through executive profiles and by contributing to key publications on a regular basis.

Corporate Affairs also entered into strategic partnerships with event organisers and associations to develop the DFSA's profile with existing and new markets participants.

In 2017, the department focused on:

- Aligning its activities with the Vision of the UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed Bin Rashid Al Maktoum:
  - 'The Year of Giving' through its internal activities, including campaigns channelled through its internal newsletter and employee events;
  - 'The National Innovation Strategy' by outlining the DFSA's introduction of Innovation as a strategic theme, which focuses on the sustainable development of FinTech in the DIFC; and
  - Supporting the development of National Capabilities through the Bawabaty internship programme;

- The redesign and relaunch of DFSA publications including ‘DFSA in Action’ that puts DFSA-wide initiatives into the context of the Dubai and wider UAE strategy and global markets trends;
- The launch of the DFSA FinTech portal, a dedicated page hosting news and developments for the DFSA, tailored for the FinTech industry;
- Collaboration with DIFC bodies around Government events and publications; and
- Fostering and strengthening relationships with key government entities.

The team issued 62 media releases, 13 consumer alerts, six notices of consultation paper release and eight notices of amendments. There were 24 publications produced in 2017, including:

- The DFSA Business Plan 2017/2018;
- The DFSA in Action, Volume 14, a bi-lingual publication;
- DFSA’s Annual Report 2016, a bi-lingual publication;
- Trade Finance Report 2016, in English;
- Markets Brief on Listing of Foreign Funds on AMI, a bi-lingual publication;
- CONNECT – DFSA staff newsletter: “Year of Giving Edition” in English; and
- CONNECT – DFSA staff newsletter: “Innovation and Inspiration Edition” in English

PROJECTS AND PLANNING

Projects and Planning have been engaged in the monitoring of the DFSA’s 2017 Business Plan and the development of the 2018/2019 Business Plan. The team continues to deliver a variety of projects across the organisation, as well as the planning and delivery of international events hosted by the DFSA.

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

INFORMATION TECHNOLOGY

In 2017, the IT Department further developed and introduced systems that enable the efficient 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 core regulatory system as well as EPRS (Electronic Prudential Reporting System), integration of key internal systems, implementation of online forms and automating the processing of external requests.

IT Security continued to be of high importance with various initiatives including infrastructure improvements to strengthen the security of the DFSA’s systems and networks. The department also continued to ensure that it adopts and benchmarks itself against international best practise IT governance and cyber security standards.

Extensive external network penetration testing was conducted for the 11th consecutive year by independent third party security specialists.

FINANCE

The DFSA controlled its expenditure within the approved budget in 2017. In the course of 2017 the DFSA maintained its accounting records and prepared its annual financial statements in accordance with International Public Sector Accounting Standards (IPSAS). The DFSA received an unqualified audit opinion in respect of the 2017 financial statements.

A thorough review of the Authority Matrices and Finance Policies were conducted in 2017 to ensure that the control framework for all DFSA expenditure was robust yet not overly burdensome. All changes were approved by the Audit Committee in the course of the year. The Finance Department continues to review and strengthen the internal financial control framework within the DFSA to ensure all financial risks are addressed.

ADMINISTRATION

The Administration Department continues to ensure that the DFSA offices are managed and maintained to the highest standards. Vendor relationships are strictly monitored and reviewed to provide the best value and effective use of both outsourced facilities management resources and budgets. All fit out projects and daily requests from internal stakeholders were delivered within the specified timelines and available resources. Health and Safety of DFSA staff and available facilities, including adherence to Civil Defence requirements was achieved successfully.

LOOKING FORWARD

THE DFSA'S BUSINESS PLAN FOR 2017/2018 WAS DRIVEN BY FOUR STRATEGIC THEMES

At the core of our approach to strategy are a number of Strategic Themes, which we use to frame and describe our work. The first three of the four themes discussed below - **Delivery**, **Sustainability** and **Engagement** - have been in place for a number of years, and remained relevant in 2017. We also found it necessary in 2017 to add a fourth theme, **Innovation**, reflecting the impact of technology on the industry we regulate and on our own operations.

We discuss below some of the achievements under each Theme, each of which describes an important aspect of the DFSA's work and plans for future development.

DELIVERY

Our **Delivery** theme encourages us to execute our core functions, as a regulator, with professionalism and efficiency.

In 2017, the DFSA saw further emphasis on a risk-based approach to regulation. Better data, and better use of data, now enables us to allocate resources more precisely to areas of greater risk. There is always room for improvement in this area and we will make further changes in 2018 to make our operations even more risk-based.

During 2017, we were heavily involved in preparations for the next FATF Mutual Evaluation of the UAE. This will involve external review of our approach to AML/CTF regulation and supervision, and of the effectiveness of this approach. We have considered the need for changes to our own policy framework in this area, as well as assessing the effectiveness with which our own supervisory role is carried out.

We have also, as usual, conducted a number of in-depth, or thematic, reviews of areas of business. One of these was on Client Classification and Suitability, where we scrutinised the onboarding processes of a number of firms. The published report on this review set out a number of examples of good practice, which we hope firms will act on, as well as identifying poor practices.

SUSTAINABILITY

As in previous years, most of the items mentioned under the Delivery theme also contribute to **Sustainability**. Our twin goals of getting better at what we do today, and building a resilient organisation for the long-run, often lead to the same conclusion and then the same projects to deliver change. We will continue to consider both short- and longer-term needs in our work, and build systems that are scalable so that the DFSA can continue to use them as the Centre grows and our responsibilities grow with it.

We have increased our efforts to prepare our UAE National staff members for future leadership roles, with the launch of a specific programme, Taqadum, aimed at meeting development needs for these individuals. This programme will, among other things, see staff undertaking specific courses at Wharton Business School. In 2017, Taqadum also placed a UAE National at a major UAE bank to develop experience in Trade Finance. In 2018, the DFSA plans to make use of international secondments to further the development of stress testing expertise within the authority.

In terms of the robustness and resilience of our organisation, we have again tested the security of our systems against cyber-attack. The environment today means that every organisation, including the DFSA, needs to be vigilant to cyber threats. We have worked to deepen our relationship with aeCert, the Federal Government's cyber-awareness organisation, as well as cooperating with other government entities.

ENGAGEMENT

The **Engagement** theme requires us to engage thoughtfully and actively with key stakeholders.

Within the UAE, we have cooperated with the three Federal regulatory bodies – the Central Bank of the UAE; the Securities and Commodities Authority; and the UAE Insurance Authority. We have also worked with the Financial Services Regulatory Authority, the part of the unitary Abu Dhabi Global Market organisation that is responsible for regulation in that financial free zone.

Our efforts of recent years to build better relationships in the immediate and wider region have been successful, with more contact with our peers in the GCC and MENA regions than has been the case in the past. We have discussed a wide range of issues with our peers, such as bank regulation, crowdfunding, listing of securities, cross-border business and a range of issues related to FinTech.

Continuing the trend seen in 2016, 2017 saw increased participation in supervisory colleges and in crisis management groups, for some of the large global or international firms who have operations set up in the DIFC. We have also continued our active participation in, and contribution to, the work of the major standard setters (see Standard-Setters section on page 44.)

INNOVATION

Under this new theme we aim to take a creative and facilitative approach to **Innovation**, both as a regulator and as an organisation.

In 2017, we saw the launch of the first results of our Forms Online project. The annual AML return, which nearly all firms need to complete, went live in the middle of the year, and is available for firms to complete and submit entirely online. This form of submission is easier and more straightforward for firms, and provides digital information that the DFSA can use directly in its other systems, increasing the automation and efficiency of our internal processes.

We have set out our work in the FinTech area separately in this Annual Report (see Financial Technology section on page 45).

In the area of RegTech, we have worked with a number of firms who have potential solutions to issues that the regulated community faces in seeking to be compliant with their obligations. While most RegTech solutions do not need to be regulated by the DFSA, as they do not involve the provision of a financial service, it is important that we understand developments in this field. Where regulated firms are using third-party technology, products and services to help meet their regulatory obligations, the DFSA needs to understand the scope and the limitations, as well as the risks, arising from the use of this technology. Additionally, we need to consider whether these tools can also be used to assist us in regulating, for example, by generating reports for the regulator as well as reports for managers of the regulated firm.

DFSA 2017/2018 Business Plan Summary

DFSA 2017/2018 BUSINESS PLAN SUMMARY		
VISION	To be an internationally respected regulator, leading the development of financial services through strong and fair regulation	
MISSION	To develop, administer and enforce world-class regulation of financial services within the DIFC.	
REGULATORY APPROACH	To be risk-based and to avoid unnecessary regulatory burden.	
STRATEGIC THEMES IN ACTION		
DELIVERY EXECUTE CORE FUNCTIONS WITH PROFESSIONALISM & EFFICIENCY	DELIVER WORLD-CLASS REGULATION & EFFECTIVE ENFORCEMENT	Undertake thorough preparations for, & follow-up to, the FSAP and FATF assessments & provide any requested support to other UAE authorities.
		Focus on proportionate, DIFC-appropriate implementation of international standards. Pursue Rulebook simplification, where possible. Take relevant & appropriate enforcement action.
	MAINTAIN QUALITY AS DIFC SCALE INCREASES	Pursue efficiencies without compromising on quality (e.g. refinements to risk-based regulation).
		Deliver creative process & IT solutions as part of maintaining operating excellence.
SUSTAINABILITY POSITIVELY SHAPE OUR ENVIRONMENT & ORGANISATION FOR THE LONG-TERM	ENHANCE ORGANISATIONAL ROBUSTNESS & RESILIENCE	Build clear, efficient & scalable regulatory & non-regulatory processes, develop better knowledge management systems, match recruitment & development to manpower needs.
	SUPPORT DUBAI GOVERNMENT & DIFC STRATEGIES	Continue alignment with DIFC & Dubai Government Strategy (Islamic economy, etc.). Work with DIFC bodies to support sustainable growth of the Centre.
	BUILD UAE NATIONAL CAPABILITY	Continue to build regulatory capacity via the TRL & Mentoring Programme. Strive to improve Emirati representation throughout the DFSA.
	JURISDICTIONAL UNCERTAINTY	Maintain efforts to resolve on-going boundary issues so that the Centre can continue to grow.

ENGAGEMENT THOUGHTFUL & ACTIVE ENGAGEMENT WITH KEY STAKEHOLDERS:	REGULATED FIRMS & HOME REGULATORS	Regulate in a consistent, transparent & risk-based manner. Communicate to promote understanding of the regulatory regime. Maintain sound relationships with regulators in key jurisdictions; develop relationships in jurisdictions anticipated to have increased importance.
	OTHER REGULATORS	Emphasise MENA/GCC regulators & representation on regional fora. Engage more actively with regulators in Africa.
	DUBAI AND UAE AUTHORITIES	Continue building relations with Dubai & UAE bodies.
	GLOBAL STANDARD SETTERS	Retain our standing among key global standard setters.
INNOVATION CREATIVE & FACILITATIVE APPROACH AS A REGULATOR & AS AN ORGANISATION:	FACILITATE FINTECH DEVELOPMENT	Take steps to understand the risks & opportunities posed by FinTech. Develop an appropriate regulatory response.
	BE PART OF ADVANCES IN REGTECH	Refine warning systems to ensure responsiveness to emerging risks. Facilitate development of industry-led regtech solutions.
	WORKING SMARTER	Greater automation of business processes to deliver efficiency gains. Become even more risk-based.

REGULATORY PRIORITIES

FINANCIAL CRIME	CONDUCT	STANDARD ALIGNMENT
BE VIGILANT IN ADDRESSING ALL FC ISSUES. STRENGTHEN EXISTING LINKS WITH RELEVANT LOCAL & FEDERAL BODIES TO MITIGATE FC RISKS	CONTINUE TO EMPHASISE CONDUCT RISK (GENERALLY MORE PROMINENT THAN PRUDENTIAL) WHILE PROVIDING APPROPRIATE PRUDENTIAL ATTENTION TO FIRMS EXPECTED TO HAVE RAPID BALANCE SHEET GROWTH	DEMONSTRATE EFFECTIVE IMPLEMENTATION OF INTERNATIONAL REGULATORY STANDARDS VIA THE FSAP & FATF PROCESS. IN RELEVANT AREAS, CONTINUE TO ALIGN WITH EU STANDARDS. UPHOLD COMMITMENT TO SIMPLIFY THE RULEBOOK.


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APPENDICES

APPENDIX 1

APPENDIX 2

APPENDIX 3

APPENDIX 4

APPENDIX 5

APPENDIX 6

APPENDIX 7

APPENDIX 8

Dubai Financial Services Authority

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

OUR OPINION

In our opinion, Dubai Financial Services Authority's ("DFSA") financial statements present fairly, in all material respects the financial position of the DFSA as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

WHAT WE HAVE AUDITED

The DFSA's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of financial performance for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

OTHER INFORMATION

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

For and on behalf of PricewaterhouseCoopers (Dubai Branch)

PricewaterhouseCoopers
Dubai, United Arab Emirates
Date: 22 February 2018

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

	Note	2017 AED'000	2016 AED'000
Assets			
Non-current assets			
Property and equipment	5	4,721	4,536
Intangible assets	6	4,614	5,005
		9,335	9,541
Current assets			
Other receivables	7	23,809	20,251
Cash and cash equivalents	8	161,395	138,676
Defined benefit plan net assets	9	837	-
		186,041	158,927
Total assets		195,376	168,468
Equity			
Contributed capital and reserves			
Contributed capital		5,755	5,755
Regulatory Reserve	2.11	83,126	92,677
Litigation Reserve	2.12	36,828	11,010
Employees' end of service benefit scheme cumulative actuarial gain/(loss)	9	181	(1,546)
Total equity		125,890	107,896
Liabilities			
Current liabilities			
Fee income received in advance	2.10	46,754	40,093
Creditors, accruals and other liabilities	10	22,732	19,470
Defined benefit plan net liabilities	9	-	1,009
		69,486	60,572
Total liabilities		69,486	60,572
Total equity and liabilities		195,376	168,468

These financial statements were approved for issue by the Board of Directors on 22 February 2018.

Signed on behalf of the DFSA Board

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

Dubai Financial Services Authority
Statement of financial performance

		2017	2016
	Note	AED'000	AED'000
Appropriations from Government	2.10, 11	117,420	117,420
Fee income	2.10	58,819	50,514
Other income	13	2,328	2,834
Total income		178,567	170,768
General and administration costs	14	(150,124)	(154,162)
Board of Directors' costs	16	(11,924)	(11,214)
Financial Markets Tribunal costs		(252)	(181)
Total expenses		(162,300)	(165,557)
Excess of income over expenditure for the year		16,267	5,211

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

Dubai Financial Services Authority
Statement of Changes in Equity

	Contributed Capital	Regulatory Reserve	Litigation Reserve	Employees' End of Service Benefit Scheme Cumulative Actuarial Loss	Accumulated Surplus	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2016	5,755	87,466	11,010	(4,026)	-	100,205
Excess of income over expenditure for the year	-	-	-	-	5,211	5,211
Transfer to litigation reserve (Notes 2.11,12)	-	-	-	-	-	-
Transfer to regulatory reserve (Note 2.11)	-	5,211	-	-	(5,211)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	2,480	-	2,480
At 31 December 2016	5,755	92,677	11,010	(1,546)	-	107,896
Excess of income over expenditure for the year.	-	-	-	-	16,267	16,267
Transfer to litigation reserve (Notes 2.11,12)	-	(25,690)	25,818	-	(128)	-
Transfer to regulatory reserve (Note 2.11)	-	16,139	-	-	(16,139)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	1,727	-	1,727
At 31 December 2017	5,755	83,126	36,828	181	-	125,890

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

Dubai Financial Services Authority
Statement of Cash Flows

	Note	2017 AED'000	2016 AED'000
Operating activities			
Excess of income over expenditure for the year		16,267	5,211
Adjustments for the following items:			
Depreciation	5	1,259	2,640
Amortisation	6	1,313	3,252
Provision for end of service benefits		4,241	4,692
Interest income	13	(2,200)	(2,000)
Operating cash flows before payment of amount payable to Government from fines collected and changes in working capital		20,881	13,795
Changes in working capital:			
Contributions made for the end of service benefits	9	(4,360)	(5,169)
Prepayments and receivables, net of interest receivable	7	(3,484)	(1,746)
Fee income received in advance		6,661	5,897
Creditors, accruals and other liabilities	10	3,262	1,741
Net cash generated from operating activities		22,960	14,518
Investing activities			
Purchase of property and equipment	5	(1,444)	(2,938)
Purchase of intangible assets	6	(922)	(2,663)
Interest received		2,125	2,000
Net cash used in investing activities		(241)	(3,601)
Net increase in cash and cash equivalents		22,719	10,917
Cash and cash equivalents, beginning of the year		138,676	127,759
Cash and cash equivalents, end of the year	8	161,395	138,676

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

Dubai Financial Services Authority
Notes to the Financial Statements

(for the year ended 31st December 2017)

1 Legal status and activities

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

2 Significant accounting policies

2.1 Basis of preparation

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

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

These financial statements are prepared on an accrual basis and cover the period from 1 January to 31 December 2017.

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.

2.2 Changes in accounting policies and disclosures

There are no IPSASs that were effective for the first time for the financial year beginning January 1, 2017 that had a material impact on the DFSA’s financial statements.

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

Following are the standards effective for the financial year beginning on or after 1 January 2018 and not material to the DFSA:

- IPSAS 39, Employee benefits (effective 1 January 2018); and
- IPSAS 40, Public Sector Combinations (effective 1 January 2019).

2.3 Foreign currency translation

Functional and presentation currency

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

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

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

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

2.4 Property and Equipment

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

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

	Years
Leasehold improvements	10
Fixtures and fittings	7
Office equipment	5
Computer Equipment - Hardware	5
Computer Equipment - Laptops & Peripherals	3
Motor vehicles	3
Computer Software	5

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

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

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

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

2.5 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over an estimated useful life of 5 years. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis. Capital work-in-progress relates to computer software, is stated at cost and transferred to the appropriate asset category when it is brought into use.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefits expense of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

2.6 Impairment

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

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

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

2.7 Fees, fines and litigation costs receivable

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

2.8 Payables

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

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

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

- Fines levied

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

Revenue from exchange operations is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts. The DFSA recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the DFSA's activities, as described below.

- Fee income

Application fees are recognised as income when invoiced. Annual fees are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- 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 is available to meet contingencies arising from the discharge of the DFSA's regulatory responsibilities. The amount

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31st December 2017 – Continued)

in the reserve is determined by the board of directors ('the Directors') and the amounts distributed to and from this reserve are at the discretion of the Directors. The surplus/deficit for the year is appropriated to the regulatory reserve on an annual basis. The Directors do not consider the regulatory reserve to be distributable.

2.12 Litigation Reserve

Fines levied by the DFSA in connection with breaches of regulations in the DIFC together with litigation cost recoveries are recognised on an accrual basis. The litigation reserve is available to meet contingencies arising from unforseen litigation costs. The amount in the litigation reserve is determined by the Directors. Income from fines and litigation cost recoveries are credited to the statement of financial performance in the year in which they are levied (Note 13) and transferred to the litigation reserve. The Directors do not consider the litigation reserve to be distributable.

2.13 Employee benefits and post-employment benefits

Provision is made for the estimated liability for annual leave costs as a result of services rendered by eligible employees up to the balance sheet date. This provision is included in employee related accruals in creditors, accruals and other liabilities.

Provision is made for the full amount of end of service benefits due to non-UAE nationals, in accordance with the Employment Law – DIFC Law No. (4) of 2005, for their periods of service up to the balance sheet date. An amount equivalent to the provision made is remitted to the DFSA EOSG Trust (Note 7). End of service benefit distributions to eligible employees are made by the trustee as directed by the DFSA.

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

2.14 Leases

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

2.15 Financial Instruments

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

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

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the company transfers substantially all risks and rewards of ownership.

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.

2.16 Segment reporting

The Company's operations are limited to regulation of financial and related activities in DIFC. The financial information reported to the governing body and the Directors does not present expenses, revenues, assets and liabilities by service line, geography, or any other segment.

The management of the Company believes segment reporting is not meaningful to the users of these financial statements. Accordingly, the Company does not present segment information in accordance with the requirements of IPSAS 18, Segment Reporting.

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 significant exposure to interest rate risk.

c) Credit risk

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

3.2 Fair value estimation

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

4 Key judgment and source of estimation and uncertainty

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

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

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

Judgment in respect of contribution without stipulation (Revenue recognition)

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

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – continued)

Employee benefits and post-employment benefits

The present value of the defined benefit plan net assets/liabilities depends on a number of factors that are determined using actuarial techniques and assumptions. These assumptions include the discount rate, salary escalation rate and withdrawal rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan net assets/liabilities.

As IPSAS 25, Employee Benefits, does not indicate how a discount rate should be determined, the Company referred to International Accounting Standard ('IAS') 19, Employee Benefits. In accordance with IAS 19, the discount rate is determined by reference to market yields at the reporting date on high quality corporate bonds (typically taken to be AA rated corporate bonds) of similar term and currency to that of the liabilities. IAS 19 also states that in countries where there is no deep market in corporate bonds, the market yields on government bonds should be used.

As UAE does not have a deep market in corporate or government bonds, the Company has used yields on high-quality US corporate bonds (Citigroup Aa Above Median Discount Curve) based on market conditions as at 31 December 2017. Setting the discount rate with reference to US corporate bonds is a commonly used approach by companies in the UAE as the local currency is pegged to the US dollar.

The salary escalation assumption takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Withdrawal rate assumptions are based on average withdrawal rates during last three years.

The Company changed the discount rate, salary escalation rate and withdrawal rate assumptions (Note 9).

Useful lives and residual values of office furniture and equipment

The management of the Company determines estimated useful lives of its property, equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset and in case of property and equipment also the physical wear and tear. The management reviews residual values and useful lives of the assets annually. Any change in the useful lives or residual values of the assets would be adjusted prospectively in respective periods.

As a result of an annual review, effective 1 January 2017, the Company changed its estimates of the useful lives of its property, equipment and intangible assets to better reflect the estimated periods during which these assets will remain in service.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

5 Property and Equipment

	Leasehold improvement	Fixtures and fittings	Office equipment	Computer equipment	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2017	15,292	4,761	694	16,853	37,600
Additions	35	76	-	1,333	1,444
Disposals	-	(89)	(57)	(720)	(866)
At 31 December 2017	15,327	4,748	637	17,466	38,178
Accumulated depreciation					
At 1 January 2017	14,580	4,516	657	13,311	33,064
Charge for the year (Note 14)	91	45	11	1,112	1,259
Disposals	-	(89)	(56)	(720)	(866)
At 31 December 2017	14,671	4,472	611	13,703	33,457
Net book value					
At 31 December 2017	656	276	26	3,763	4,721

	Leasehold improvement	Fixtures and fittings	Office equipment	Computer equipment	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At 1 January 2016	14,798	4,473	710	15,408	6	35,395
Additions	494	288	-	2,156	-	2,938
Transfer from capital work in progress	-	-	-	6	(6)	-
Disposals	-	-	(16)	(717)	-	(733)
At 31 December 2016	15,292	4,761	694	16,853	-	37,600
Accumulated depreciation						
At 1 January 2016	14,277	4,333	638	11,910	-	31,158
Charge for the year (note 14)	303	183	36	2,118	-	2,640
Disposals	-	-	(17)	(717)	-	(734)
At 31 December 2016	14,580	4,516	657	13,311	-	33,064
Net book value						
At 31 December 2016	712	245	35	3,542	-	4,536

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – continued)

6 Intangible Assets			
	Software	Capital work in Progress	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2017	22,686	1,287	23,973
Additions	-	922	922
Transfer from capital work in progress	2,209	(2,209)	-
At 31 December 2017	24,895	-	24,895
Accumulated depreciation			
At 1 January 2017	18,968	-	18,968
Charge for the year (note 14)	1,313	-	1,313
At 31 December 2017	20,281	-	20,281
Net book amounts			
At 31 December 2017	4,614	-	4,614
Cost			
At 1 January 2016	20,530	781	21,311
Additions	672	1,991	2,663
Transfer from capital work in progress	1,484	(1,484)	-
At 31 December 2016	22,686	1,288	23,974
Accumulated depreciation			
At 1 January 2015	15,717	-	15,717
Charge for the year (note 14)	3,252	-	3,252
At 31 December 2016	18,969	-	18,969
Net book amounts			
At 31 December 2016	3,717	1,288	5,005

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

7 Other receivables		
	2017	2016
	AED'000	AED'000
Prepayments	21,082	18,502
Staff advances	60	182
Other receivables	2,667	1,567
Total	23,809	20,251

8 Cash and bank balances		
	2017	2016
	AED'000	AED'000
Fixed deposits accounts	85,430	75,332
Current accounts	75,935	63,307
Cash on hand	30	37
Cash and cash equivalents	161,395	138,676

All bank balances are held with A2 Moody's rated bank licensed in the UAE. The interest rates on fixed deposit accounts were in the range of 1.20% to 2.75% p.a. for the year ended 31 December 2017 (2016: 0.85% to 2.75%).

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

9 Employees' end of service benefits

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

	2017	2016
	AED'000	AED'000
Current service cost	4,029	4,018
Net defined benefit expense	4,029	4,018
Present value of defined benefit obligations	(29,238)	(29,287)
Fair value of plan assets	30,075	28,278
Net defined benefit asset/(liability)	837	(1,009)

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

	2017	2016
	AED'000	AED'000
Obligation at beginning of the year	29,287	28,137
Current service cost	4,029	4,018
Interest cost	972	882
Actuarial loss/(gains) on obligation	(1,705)	(2,405)
Benefits paid from plan	(3,345)	(1,345)
Obligation at end of the year	29,238	29,287
Changes in the fair value of plan assets are as follows:		
Fair value of plan assets at the beginning of the year	28,278	24,170
Employer contribution	4,360	5,169
Expected return on plan assets	223	209
Actuarial gain	22	75
Benefits paid from plan	(2,808)	(1,345)
Fair value of plan assets at end of the year	30,075	28,278

Plan assets comprise of cash at bank for 100% (2016: 100%).

The significant actuarial assumptions in calculating the defined benefit obligation are estimates of the long term salary growth rate of 1.5% for the 2018 and 2% thereafter (2017: 2% for the 2017 and 3% thereafter), the discount rate representing the time value of money of 3.25 % (2017: 3.5%) and the rate of withdrawal of employees from the scheme of 6% (2017: 6%). 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	1.5% for 2018 and 2% thereafter	+1% / -1%	2,342/(2,342)
Discount rate	3.25%	+1% / -1%	(1,974)/ 1,974
Withdrawal rate	6%	+5% / -5%	391/(391)

10 Creditors, accruals and other liabilities

	2017	2016
	AED'000	AED'000
Employee related accruals	14,690	14,069
Trade creditors	6,149	3,677
Other accruals	1,893	1,724
Total	22,732	19,470

11 Related party transactions and balances

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

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

Related Party Transactions:	2017	2016
	AED'000	AED'000
Appropriations from Government	117,420	117,420
Revenue recognised during the year	117,420	117,420

Key management compensation

Key management are those nine (2016:nine) individuals having authority and responsibility for planning, directing and controlling the activities of the DFSA. Their compensation during the year is:

	2017	2016
	AED'000	AED'000
Salaries and performance bonus	16,244	17,319
Other emoluments and benefits	5,841	4,829
Total	22,085	22,148

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

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

12 Appropriation of fine income to reserves

	2017	2016
	AED'000	AED'000
Fines levied (Note 13)	128	834
Amount appropriated to Litigation Reserve	128	834

13 Other income

	2017	2016
	AED'000	AED'000
Interest on fixed deposits	2,200	2,000
Fines levied	128	834
Total	2,328	2,834

The fines resulted from contraventions of the DFSA's rules. These fines were imposed following the conclusion of investigations conducted by DFSA staff. Fines are accounted for an accrual basis (Note 2.12).

14 General and administration costs

	2017	2016
	AED'000	AED'000
Staff costs (Note 15)	124,611	122,111
Office rent	7,099	7,096
Regulatory travel, conferences, seminars and training	2,989	3,196
Communication and IT systems and equipment maintenance	3,308	4,470
Legal, consultancy and professional fees	1,591	1,815
Amortisation	1,313	3,252
Depreciation	1,259	2,640
Recruitment costs	649	1,230
Marketing expenses	626	579
Vehicle lease and maintenance	159	155
Software licensing and maintenance	4,132	4,612
Other expenses	2,388	3,006
Total	150,124	154,162

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31st December 2017 – Continued)

15 Staff Costs

	2017	2016
	AED'000	AED'000
Salaries	67,442	66,102
Other benefits	52,928	51,317
Employees' end of service benefits (Note 9)	4,241	4,692
Total	124,611	122,111

16 Board of Directors' Costs

	2017	2016
	AED'000	AED'000
Retainer fees	5,070	4,813
Attendance fees	2,253	2,092
Travel	2,220	1,900
Other	2,381	2,409
Total	11,924	11,214

17 Operating lease commitments

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

	2017	2016
	AED'000	AED'000
Expiring		
Within one year	7,336	7,096
Later than 1 year and no later than 5 years	15,437	22,773
Total	22,773	29,869

Dubai Financial Services Authority

On pages 85 to 88 the primary financial statements have been presented in US Dollar (USD) for information purposes only.

Statement of financial position (presented in USD)

	2017	2016
	USD'000	USD'000
ASSETS		
Non-current assets		
Property and equipment	1,287	1,236
Intangible assets	1,257	1,364
	2,544	2,600
Current assets		
Other receivables	6,487	5,518
Cash and equivalents	43,977	37,786
Defined benefit net assets	228	-
Total Assets	50,692	43,304
	53,236	45,904
EQUITY		
Contributed capital and reserves		
Contributed capital	1,568	1,568
Regulatory Reserve	22,650	25,253
Litigation Reserve	10,035	3,000
Employees' end of service benefit scheme cumulative actuarial gain/(loss)	49	(421)
Total equity	34,302	29,399
LIABILITIES		
Current liabilities		
Fee income received in advance	12,740	10,925
Creditors, accruals and other liabilities	6,194	5,305
Defined benefit plan net liabilities	-	275
	18,934	16,505
Total liabilities	18,934	16,505
Total equity and liabilities	53,236	45,904

Dubai Financial Services Authority

Statement of financial performance (presented in USD)

	2017	2016
	USD'000	USD'000
Appropriations from Government	31,995	31,995
Fee income	16,027	13,764
Other income	634	772
Total income	48,656	46,531
General and administration costs	(40,906)	(42,006)
Board of Directors' costs	(3,249)	(3,056)
Financial Markets Tribunal costs	(69)	(49)
Total expenses	(44,224)	(45,111)
Excess of income over expenditure for the year	4,432	1,420

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 January 2016	1,568	23,833	3,000	(1,097)	-	27,304
Excess of income over expenditure for the year	-	-	-	-	1,420	1,420
Transfer to regulatory reserve (Note 2.11)	-	1,420	-	-	(1,420)	-
Remeasurement of employees' end of service benefit obligation (Note 9)	-	-	-	676	-	676
At 31 December 2016	1,568	25,253	3,000	(421)	-	29,400
Excess of income over expenditure for the year	-	-	-	-	4,432	4,432
Transfer to litigation reserve (Notes 2.12,13)		(7,000)	7,035	-	(35)	-
Transfer to regulatory reserve (Note 2.11)	-	4,397	-	-	(4,397)	-
Remeasurement of employee's end of service benefit obligation (Note 9)	-	-	-	470	-	471
At 31 December 2017	1,568	22,650	10,035	49	-	34,302

Dubai Financial Services Authority

Statement of cash flows (presented in USD) (unaudited)

	2017	2016
	USD'000	USD'000
Operating activities		
Excess of income over expenditure for the year	4,432	1,420
Adjustments for the following items:		
Depreciation	343	719
Amortisation	358	886
Provision for end of service benefits	1,156	1,278
Interest income	(599)	(545)
Operating cash flows before payment of employees' end of service benefits, payment of amount payable to Government and movements in working capital	5,690	3,759
Changes in working capital:		
Contributions made to the end of service benefits	(1,188)	(1,408)
Prepayments and receivables, net of interest receivable	(949)	(476)
Fee income received in advance	1,815	1,607
Creditors, accruals and other liabilities	889	474
Net cash generated from operating activities	6,257	3,956
Investing activities		
Purchase of property and equipment	(395)	(801)
Purchase of intangible assets	(251)	(726)
Interest received	579	545
Net cash used in investing activities	(67)	(981)
Net increase in cash and cash equivalents	6,191	2,975
Cash and cash equivalents, beginning of the year	37,786	34,812
Cash and cash equivalents, end of the year	43,977	37,786

Board and Senior Officers Remuneration Disclosure

Disclosure of Remuneration:		
The following table sets forth the total remuneration received or due and receivable for the fiscal year ended 31 December 2017 and 31 December 2016 by the Board and Senior Officers of the DFSA.		
Remuneration of the Chairman and Non-Executive Board Members:		
Remuneration Bands	2017 Board Members	2016 Board Members
$50,001 to $100,000	2	0
$100,001 to $200,000	4	4
$200,001 to $250,000	3	3
>$250,001	1	1
	2017 (USD)	2016 (USD)
The aggregate amount of remuneration of non-Executive members of the Board shown above.	2,258,929	2,093,126

Notes:

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

(2) Remuneration of non-Executive Board members is comprised primarily of an annual retainer plus meeting attendance fees (for meetings of the full Board and its committees). Travel allowances are also paid. Board retainer fees during 2017 were USD 1,224,905 (Chairman's retainer fee was USD 466,796 per annum). Board meeting attendance fees were USD 7,192 per meeting (Chairman's meeting attendance fee was USD 15,913 per meeting).

(3) Committee membership fees during 2017 were USD 599 per member (committee Chairman fee was USD 1,199). Committee attendance fees were USD 2,877 per meeting.

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

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

Remuneration of the Chief Executive and Senior Officers:		
Remuneration Bands	2017 Executives	2016 Executives
USD'000	USD'000	USD'000
Up to $300,000	-	-
$300,001 to $500,000	3	2
$500,001 to $900,000	5	6
>$900,000	1	1
	9	9
	2017 (USD)	2016 (USD)
The aggregate amount of remuneration of Executives shown above:	6,017,763	5,662,969

Executive Remuneration included in the above comprised:		
	2017 (USD)	2016 (USD)
Salaries and performance bonuses	4,426,130	4,668,116
Other emoluments and benefits	1,591,633	1,315,923

Notes;

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

(2) Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical and life and end of service accrual/pension contribution for the year 2017.

AUTHORISED FIRMS LICENSED IN 2017

FIRM NAME
A
Adenium Energy Capital Advisors Limited
Alkhabeer Capital (DIFC) Limited
AMP Capital Investors (UK) Limited
Amundi Asset Management
Arab Banking Corporation (B.S.C.)
Arch Corporation (DIFC) Limited
Arch Underwriters (Gulf) Limited
Arig Insurance Management (DIFC) Limited
Arma Underwriting Limited
Arrow Capital
Aspect Investment Partners (DIFC) Limited
Axis Reinsurance (DIFC) Limited
Azimut Portfoy Yonetimi A.S (DIFC Representative Office)
B
BearBull Global Investments Group Limited
Beehive P2P Limited
Beehive P2P Limited (Withdrawn)
Berry Palmer & Lyle Limited
BIBD (Middle East) Limited
C
Capitas (DIFC) Limited
CdR Capital Limited
Chaucer MENA Underwriting Limited
Cigna Insurance Management Services (DIFC) Limited
Corpia Asset Management Ltd.
Credit Financier Invest (DIFC) Limited
D
Dukascopy Bank SA
Dux Capital Limited
E
ED&F Man Capital Markets MENA Limited
Emerald Risk Transfer (Pty) Ltd.
Enness Limited
EuroFin Investments (DIFC) Pte Limited
Evercore Advisory (Middle East) Limited
F
FEB Capital Limited
FxPro Global Markets MENA Limited
G
Greenland Investment Management
Gulf Islamic Investments (DIFC) Limited
H
Houlihan Lokey (MEA Financial Advisory) Limited
Humania Capital DIFC Limited
J
Jefferies LLC
K
Korean Reinsurance Company
Kroma Capital Partners Limited
L
Lighthouse Canton Capital (DIFC) Pte Limited
Lumina Capital Advisers Limited
M
Malakite Underwriting Partners Limited
Misr Insurance Company S.A. E.
MMK Capital Ltd
Mubasher Financial Services DIFC Limited
N
Nasco Reinsurance Brokers (DIFC) Limited
O
One Financial Markets (DIFC) Limited
P
Pharos Gulf Limited
PineBridge Investments Europe Limited
Q
Q2Q Investment Partners (DIFC) Limited
Quercus Investment Partners Limited (DIFC Representative Office)

AUTHORISED FIRMS LICENSED IN 2017

FIRM NAME
R
R.J. Fleming & Co. (DIFC) Limited
Rasan Capital Limited
Reef Capital Ltd
RKH Specialty Limited
RSA Capital DIFC Limited
S
Safa Capital Limited
Saray Capital (DIFC) Limited
Sarwa Digital Wealth Limited
Shields Reinsurance Brokers Limited
Sphere Capital Limited
StoneArb Investments Limited
StormHarbour Securities LLP
Sunrise 15 Middle East Ltd
T
The Entrepreneur's Investment Office Ltd
V
Ventura Capital Management Limited
Y
Yield Investments Ltd

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

DNFBPs Registered in 2017

FIRM NAME
Abax Corporate Services (DIFC) Ltd
Al Tamimi & Co. Corporate Services Limited
Arendt & Medernach
Boston Corporate Services (DIFC) Limited
Charles Russell Speechlys LLP
Deloitte Professional Services (DIFC) Limited
Lecocqassociate (DIFC) Ltd.
Praesidium Advisory Ltd
SKP Business Consulting Limited
Sotheby's Art Services Limited
Turtle Management SFO Limited
Withers Tax Advisory LLP

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

MEMORANDA OF UNDERSTANDING SIGNED IN 2017

BI-LATERAL	
European Union	European Securities and Markets Authority
Lebanon	Capital Markets Authority of Lebanon
MULTI-LATERAL	
International Forum of Independent Audit Regulators	

FINTECH COOPERATION AGREEMENTS ESTABLISHED IN 2017

BI-LATERAL	
Hong Kong SAR	Securities and Futures Commission
Hong Kong SAR	Insurance Authority
Hong Kong SAR	Hong Kong Monetary Authority
Australia	Australian Securities and Investment Commission
Malaysia	Securities Commission

New Listings in 2017

ISSUER	SECURITY	LISTING VENUE	AMOUNT RAISED
Alpha Star Holding III Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 500,000,000
APICORP Sukuk Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 500,000,000
China Construction Bank Corporation Hong Kong Branch	Bonds	Nasdaq Dubai, Stock Exchange of Hong Kong & Singapore Exchange	USD 1,200,000,000
Dar Al-Arkan Sukuk Company Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 500,000,000
DIB Sukuk Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 1,000,000,000
Emirates NBD Bank PJSC	Bonds	Nasdaq Dubai & Luxembourg Stock Exchange	USD 750,000,000
Hong Kong Sukuk 2017 Limited	Sukuk	Nasdaq Dubai, Stock Exchange of Hong Kong & Bursa Malaysia	USD 1,000,000,000
ICD Funding Limited	Bonds	Nasdaq Dubai & Irish Stock Exchange	USD 200,000,000
ICD Sukuk Company Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 1,000,000,000
IDB Trust Services Limited	Sukuk	Nasdaq Dubai, London Stock Exchange & Bursa Malaysia	USD 1,250,000,000
IDB Trust Services Limited	Sukuk	Nasdaq Dubai, London Stock Exchange & Bursa Malaysia	USD 1,250,000,000
Industrial and Commercial Bank of China Limited	Bonds	Nasdaq Dubai & Irish Stock Exchange	USD 561,625,000
Industrial and Commercial Bank of China Limited	Bonds	Nasdaq Dubai & Irish Stock Exchange	USD 400,000,000
Industrial and Commercial Bank of China Limited	Bonds	Nasdaq Dubai & Irish Stock Exchange	USD 300,000,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	Nasdaq Dubai & Singapore Exchange	USD 144,380,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	Nasdaq Dubai & Singapore Exchange	USD 855,620,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	Nasdaq Dubai & Singapore Exchange	USD 274,600,000
Perusahaan Penerbit SBSN Indonesia III	Sukuk	Nasdaq Dubai & Singapore Exchange	USD 1,725,400,000
Warba Tier 1 Sukuk Limited	Sukuk	Nasdaq Dubai & Irish Stock Exchange	USD 250,000,000
Yinchuan Tonglian Capital Investment Operation Co.Ltd	Bonds	Nasdaq Dubai & Stock Exchange of Hong Kong	USD 300,000,000
Total			USD 13,961,625,000

Refer to the DFSA website for all Listings.

DFSA ADMINISTERED LAWS AND RULES IN 2017

DFSA RULES

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

- Notice of Amendments dated 23 May 2017 and guidance instrument No.11, which included new guidance in the General module of the DFSA Rulebook in relation to FinTech;
- Notice of Amendments dated 15 June 2017 and rulemaking instruments 201 – 206 and guidance instrument No.12, which made amendments to the DFSA Rulebook to include financing though crowdfunding platforms; and
- Notice of Amendments dated 4 July 2017 and rulemaking instruments 199 – 200 and 207 – 208, which amended the DFSA fees with effect from 1 January 2018;
- Notice of Amendments dated 1 November 2017 and rulemaking instruments 209 – 210, which made amendments to the PIB and IFR modules of the DFSA Rulebook to align with the standards on capital and liquidity requirements published by the Basel Committee for Banking Supervision.

MODULES OF THE DFSA SOURCEBOOK:

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

- The AFN module was updated on two separate occasions in 2017.
- Notice of update dated 23 January 2017, which introduced the February 2017 edition of the Regulatory Policy and Process (RPP) module.

GLOSSARY

GLOSSARY	
A	
ADGM	Abu Dhabi Global Market
AF	Authorised Firm
AMERC	IOSCO's Africa and Middle East Regional Committee
AMI	Authorised Market Institution
AML	Anti-Money Laundering
AMLSCU	Anti-Money Laundering Suspicious Cases Unit
ASIC	Australian Securities and Investments Commission
B	
BCBS	Basel Committee on Banking Supervision
BCG	Basel Consultative Group
C	
CBUAE	Central Bank of the United Arab Emirates
CCP	Central counterparty clearing
CEO	Chief Executive Officer
CIR	Collective Investment Rules
COO	Chief Operating Officer
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CP	consultation paper
CRA	Credit Rating Agency
CTF	Counter-terrorist financing
D	
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DIFCA	Dubai International Financial Centre Authority
DNFBP	Designated Non-Financial Business or Profession
E	
ESMA	European Securities and Markets Authority
EU	European Union
F	
FATF	Financial Action Task Force
FinTech	Financial Technology
FMT	Financial Markets Tribunal
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSRA	Financial Services Regulatory Authority
G	
GCC	Gulf Cooperation Council
H	
HKSFC	Hong Kong Securities and Futures Commission
HR	Human Resources
I	
IA	Insurance Authority of the UAE
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICPs	Insurance Core Principles
IFIAR	International Forum of Independent Audit Regulators
IFSB	Islamic Financial Services Board
IOSCO	International Organisation of Securities Commissions
K	
KSA	Kingdom of Saudi Arabia
L	
LegCo	Legislative Committee
M	
MENA	Middle East and North Africa
MESA	Middle East Studies Association
MMF	Money Market Fund
MoU	Memorandum of Understanding
MMoU	Multi-lateral Memorandum of Understanding
N	
NAMLCFTC	National Anti-Money Laundering and Combatting Terrorist Financing Committee
O	
OECD	Organisation for Economic Cooperation and Development
OTC	Over-the-counter
P	
PRA	Prudential Regulation Authority
Q	
QIF	Qualified Investor Fund
R	
RA	Registered Auditor
RoC	Registrar of Companies
S	
SAR	Suspicious Activity Report
SCA	Securities and Commodities Authority
T	
TRL	Tomorrow's Regulatory Leaders
U	
UAE	United Arab Emirates
UASA	Union of Arab Securities Authorities
UK	United Kingdom
US	United States

Dubai Financial
Services Authority

FOR GENERAL ENQUIRIES

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