

By Email

10 December 2017

To the Senior Executive Officers (SEO) and Principal Representatives of DFSA Regulated Entities

RE: Restructuring of DFSA Supervision Division

Dear SEO/Principal Representative:

Earlier this year, at the Supervision Division's annual mid-year outreach event, I briefly described plans to restructure the supervision function at the DFSA (the "Restructure"). I also provided an update on the Restructure at a recent event the DFSA co-hosted with the Compliance Officer's Networking Group.

This letter is to inform you that we will initiate the Restructure on 1 January 2018. This letter also outlines our key objectives and priorities, plus a few process improvements that will affect how we communicate with our regulated population.

Key Objectives and Priorities

The Restructure has taken 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 our supervisory resources more effectively and more efficiently. We seek to achieve this by further enhancing our risk-based supervisory approach to be best suited to the ever-changing nature and complexity of the activity and risk profiles of firms operating in or from the DIFC. We believe these structural improvements will support the future growth plans of the DIFC. In the short and medium term, the Restructure will enable us to focus on certain broad themes and apply enhanced supervisory attention to firms with higher risk profiles.

We have identified three key areas of focus for our supervisory attention:

1. **Prudential Risks**, which includes areas such as credit risk, liquidity risk, market risk and actuarial risk;
2. **Conduct of Business Risks**, which includes areas such as financial crime, suitability, client asset protection and client classification; and
3. **Operational Risks**, which includes areas such as general corporate governance, back-office systems and controls, cyber risks and Fintech.

The Restructure means that a team responsible for each of the above risk areas will extend its purview across the entire regulated population, rather than just for certain individual firms or groups of firms. Further, this means that most firms will not have dedicated Relationship Managers except for firms with larger footprints, heightened complexity or those that we determine require special supervisory oversight. This also means we will be carrying out less frequent vertical risk assessments to individual firms, but we will be conducting more horizontal risk assessments, based on products and risks.

Further, while we will continue to have teams dedicated to prudential risks and conduct of business risks, you will note that we are creating a new team dedicated to governance, operational risks, and innovation. This new team will be responsible for the firms that hold an Innovation Testing Licence as well as those firms where the delivery of financial services is conducted primarily through technology.

Communication with the DFSA from 1 January 2018

As mentioned above, from 1 January, the Restructure means most firms will not have a dedicated Relationship Manager. On and from 1 January, all firms will be required to communicate with the DFSA using the [Supervised Firm Contact Form](#). For those firms which continue to have a Relationship Manager, such as deposit-taking banks and insurers, you will also communicate with the DFSA using the Contact Form, but your communication will be directed to your Relationship Manager. We will write to each firm affected by this change in due course and provide additional information.

In our view, the [Supervised Firm Contact Form](#) which has recently been enhanced, presents significant advantages over traditional means of communicating with the DFSA, including an immediate time and date stamp acknowledging your communication. This approach will also enhance our tracking/recording of workflow, and collating of frequently asked questions and requests will also enable us to direct future resources more effectively.

I want to thank you in advance for your support for this initiative, which is part of our ongoing commitment to review and enhance the efficiency and effectiveness of our supervisory efforts. We will likely have further announcements over the course of the year dealing with additional initiatives along the same line. Please direct any questions regarding the Restructure to me or to your Relationship Managers or by using the **Supervised Firm Contact Form**.

Yours sincerely



Bryan Stirewalt
Managing Director, Supervision

Copied to: Compliance Officers