Dubai Financial Services Authority

Annual Report | 2020

Contents

Article 11 of the Dubai International Financial Centre (DIFC) Regulatory Law, DIFC Law No 1 of 2004, requires the Dubai Financial Services Authority (DFSA) to provide His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, the President of the DIFC, with a written report on the exercise of its powers, the performance of its functions, and its financial activities. The report is to be prepared as soon as reasonably practical each financial year and relate to the previous financial year. This is the DFSA's 17th Annual Report and covers the financial year ended 31st December 2020.

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

2020 Overview

THE FOLLOWING INFORMATION SUMMARISES 2020 ACTIVITIES AND STATISTICS.

SUPERVISION

- 55 firms authorised in 2020
- 509 firms authorised in total (including 3 Credit Reporting Agencies (CRAs))
- 614 individuals authorised in 2020
- 2393 individuals authorised in total
- 5 designated non-financial businesses and professions (DNFBPs) registered in 2020
- 102 DNFBPs registered in total
- 17 auditors registered in total
- 143 risk assessments of Authorised Firms (AFs) conducted in 2020
- 36 risk assessments of registered auditors (RAs) conducted in 2020
- 40 licence variations granted in 2020
- 100 applications received in 2020 (92 AFs, 6 DNFBPs, 2 RAs)
- 94 days to decide applications on average in 2020 (AFs only)

STRATEGY, POLICY AND RISK

- 7 consultation papers published proposing changes to the DFSA's policy framework
- 1 outreach session to explain the DFSA's proposals for change to stakeholders
- 19 consultation papers issued by international standard-setters commented on once published or at drafting stage
- 10 surveys and other questionnaires issued by international standard-setters replied to
- 11 queries from local and regional regulators responded to

LEGAL DIVISION AND GENERAL COUNSEL

- 4 Rulebook amendments made by the Board in 2020
- 4 Sourcebook amendments made by the Chief Executive
- 28 rule-making instruments made by the Board in 2020
- 206 waivers and modifications granted in 2020

ENFORCEMENT

- 98 complaints received in 2020
- 92 complaints finalised in 2020
- 11 enforcement actions taken in 2020
- 10 consumers alert issued
- 8 investigations commenced in 2020
- 10 investigative phases concluded in 2020
- 5 investigations carried through to 2021

INTERNATIONAL RELATIONS

- 108 bi-lateral MoUs entered into in total
- 109 regulatory requests made by the DFSA to fellow regulators in 2020
- 81 regulatory requests received from fellow regulators to the DFSA in 2020
- 4 international delegations received by the DFSA in 2020

HUMAN RESOURCES

- 157 employees as at 31 December 2020
- 95 regulatory staff, 33% of whom are United Arab Emirates (UAE) Nationals
- 3.0 days e-learning undertaken per employee on average in 2020
- 19 employees have successfully completed the 2019 ICA Diploma in Anti-Money Laundering and 1 employee completed the Cambridge Senior Management Programme, which started in 2019
- 4 UAE Nationals completed the Tomorrow's Regulatory Leaders (TRL) Programme in 2020 bringing a total of 43 individuals who have graduated the programme

OPERATIONS

- 25 media releases issued in 2020
- 8 publications issued in 2020
- 7 consultation papers issued in 2020
- 10 stakeholder alerts issued in 2020

Statement by the Chairman

Saeb Eigner
CHAIRMAN

It is my pleasure to introduce the DFSA's Annual Report for 2020. The DFSA and the Dubai International Financial Centre (DIFC) saw sustained and steady growth in spite of challenging macroeconomic and social conditions in 2020 – a testament to our team and the DIFC community in light of the remarkable events that played out over the year.

On 11 March 2020, the World Health Organisation announced that the Covid-19 outbreak had become a pandemic. In the days and weeks leading up to this, individuals and businesses were urged to take the necessary precautions and adapt their routines and operations to mitigate the spread of the virus.

A key focus in 2020 has been the well-being of our staff, as well as that of the wider DIFC community. As with all organisations, we are dependent on the well-being of our people in order to perform our role. Our team brings vitality, intelligence, experience and commitment that has proven crucial to functioning effectively in the face of challenges. Even as vaccines are approved and rolled out across the world, the global economy remains greatly impacted. While the economic fallout from the pandemic will persist for some time, we are confident that the DFSA and broader DIFC community will continue to respond effectively to these challenges.

In a year of unprecedented challenges, 2020 was a year we will never forget for the many valuable lessons it taught us all. We are deeply fortunate that the leadership of Dubai and the UAE acted quickly to demonstrate their vision for the health and prosperity of the country and for the well-being of all citizens and residents. That same vision that led to the creation of the DIFC and the DFSA some 16 years ago is now showing us the way forward in dealing with Covid-19 and in planning for a post-pandemic world. This same vision will set the direction for the next 50 years of the UAE's development, after the country celebrates its 50th Anniversary in 2021, the 'Year of the 50th'.

I would like to thank my fellow board members for sharing their extensive experience and insight over the past year, and to welcome our newest board member, Sabine Lautenschläger, who joined us in July 2020. I would also like to thank the DFSA's Executive team and our entire staff for their hard work and continued commitment to the success of the DFSA.

Once again, I would like to reiterate that the progress of the DIFC and the DFSA is critically dependent on the vision and drive of Dubai's Leadership and its government institutions whose support is critical to the success of the DIFC. I would like to extend my sincere and warmest thanks to HH Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minster of the UAE and Ruler of Dubai, for his extraordinary leadership, foresight and energy in developing Dubai as the successful world-class financial hub that it has become, and to HH Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, Deputy Ruler of Dubai and President of the DIFC, for his far-sighted leadership of the DIFC and continuous guidance and support.

Finally, I would like to express my gratitude to the DIFC's Governor, HE Essa Abdulfattah Kazim, for his vital and constant support of the DFSA and the continued successful development of the DIFC as leading financial centre. The sustained growth within the Centre this year, despite the challenges imposed bythe pandemic, provides a positive and hopeful sign for the future.

Saeb Eigner
Chairman, DFSA

Statement by the Chief Executive

Bryan Stirewalt

CHIEF EXECUTIVE

Welcome to the DFSA's Annual Report for 2020. This publication summarises our activities and achievements in what was, as the Chairman said in his introduction, a truly challenging year. I am extremely proud of the way our team and the entire DIFC community responded to the challenges and disruptions caused by the Covid-19 pandemic. The DIFC continued to grow over the year in spite of the challenges we faced. The primary business models of banking, insurance, wealth management and ancillary services all performed well in the past year. Growth came organically through expanding product and services lines from existing firms, and also non-organically through adding new and different types of firms, often in the innovative technology space.

When asked for one word that describes 2020, I would chose the word resilient. The DIFC community has shown greater operational and financial resilience over the course of the last year than many expected. I have held numerous group discussions over the past year, allowing me to speak with more than 100 SEOs of financial institutions with a presence in the DIFC. I am pleased to say that the leaders of all firms were focused intently on the health, safety and well-being of their teams throughout this difficult period. I saw the best side of people who normally might be competitors begin to share information with peers for the good of the community and the well-being of all people. Particularly in the area of operational resilience, both the regulators and the regulated are facing the same challenges: safety of staff, increasingly digital platforms of operations, cyber awareness and resilience and data protection, just to name a few. With this in mind, we are committed to many public-private partnership initiatives as modern and effective solutions to evolving and changing risks.

Covid-19 activities and support measures

The DFSA focused unwavering attention to the well-being of our team over the past year. We certainly have been challenged but we, collectively, rose to those challenges. We commenced split team working in March and quickly moved to full remote working until the end of May. We returned to the office in June with a weekly split team arrangement, which remained in place for the remainder of the year.

We recognised that having clear lines of communication with regulated entities and stakeholders in the DIFC was critical from the beginning of the pandemic. We also communicated proactively with our peer regulators in the UAE, in the region and around the globe. As things escalated very quickly, it was crucial to obtain timely information from the firms to understand the systemic impacts that the pandemic and the associated restrictions were having on the firms' operations and their interaction with their customers. On 5 April, we embarked on an outbound call exercise in order to understand the immediate impact of the pandemic on Authorised Firms with a focus on operational issues, management, business, clients, IT, and capital, revenue and liquidity. This approach enabled the DFSA to gain real-time information about how firms were dealing with the effect of the pandemic. It also gave us a chance to update firms on the measures that we were taking, and we were able to point firms in the direction of the various relief measures that had been made available by both the DFSA and the DIFC Authority.

It was important for the DFSA to understand the nature of the challenges facing firms and exercise necessary forbearance where required. The vast majority of the requests for some form of regulatory relief came in the form of extensions on the financial year end completion of audits and submission of regulatory reports. The DFSA reduced or removed many fee requirements, such as application fees for authorised individuals and waiver and modification applications. By the end of August, we had granted 209 regulatory relief requests and our Supervision team had met, one on one, with every single firm in the DIFC. We also postponed onsite risk assessments in the first half of 2020 to allow firms to concentrate on making necessary adjustments to their work environment.

For the first time, the DFSA, along with the other relevant financial regulators in the UAE, namely the Central Bank of the UAE and the ADGM's FSRA, issued joint guidance for banks and finance companies. We did this in relation to the application of International Financial Reporting Standard 9 (IFRS 9) during Covid-19. The overriding objective of the guidance was to provide practical solutions to manage the impact of the economic uncertainty while remaining compliant with reporting standards and promoting consistency. This was aligned with the Central Bank implementing a number of relief measures under the Targeted Economic Support Scheme. We have worked more closely with Federal regulators this year than ever before on topics such as financial stability, cyber risk, digital assets, money services businesses and fighting financial crime. We hope to continue these open and valuable lines of communication in the future.

2020 achievements

We began our year on a positive note, publishing the UAE's first Guiding Principles on Sustainable Finance (the Guiding Principles), together with a group of leading authorities in the UAE. Based on the United Nations Agenda for Sustainable Development, the Guiding Principles are the result of co-operative efforts intended to serve as a catalyst for the implementation of the UAE's sustainability priorities.

We also issued a discussion paper on sustainable finance in September which aimed to kick-start debate on the most suitable ways to foster the development of sustainable finance in the DIFC. The paper builds on recent steps the DFSA has taken within the sustainable finance sector, such as issuance of green bond best practice guidelines. This will continue to be an important area of focus for us, and for many other regulators, in the years to come.

Digital transformation within the financial services industry has led to an increase in cyber risk and, as a result, we have been focusing on the effective mitigation of cyber risk within DFSA Authorised Firms. Our priorities have been to improve cybersecurity awareness in the DIFC, promote sharing of cyber threat information, and support continued development of cyber resilience within Firms in the DIFC. In keeping with those priorities, we completed a number of cyber risk initiatives in 2020.

In January, we launched the DFSA Cyber Threat Intelligence Platform (TIP). TIP is the first regional regulator-hosted digital community information-sharing platform. The platform is open to all DIFC registered companies and, as of 31 December 2020, 150 companies have registered to use TIP. On average, 160 new threats per week are published on TIP. DFSA Authorised Firms are encouraged to register for the platform via the DFSA ePortal and DIFC registered companies are encouraged to register for the platform via the DIFC ePortal. In June, we published the Cyber Thematic Review Report. The Review assessed IT/cyber risk governance frameworks, IT/cyber hygiene practices, and resilience (incident preparedness) programs. The report highlighted many areas in which cyber risk management should be improved, including cyber risk and vulnerability assessments, third-party vendor monitoring, user authentication and data encryption, and incident response stakeholder communication plans. Lastly, in December the DFSA published Cyber Risk Management Guidelines. I would encourage all firms to refer to those resources which are available on our website.

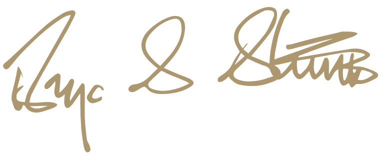
In terms of licensing activities, 2020 had a positive end to the year with 509 Authorised Firms, up from 501 a year earlier. This is not a large increase but, remarkably in the year of a global pandemic, it is an increase. In addition, we have 105 DNFBPs, 17 Registered Auditors, 58 Recognised Members, 30 Reporting Entities and two Authorised Market Institutions. The introduction of our Money Services regime in April has generated considerable interest from firms seeking to provide a wide range of mobile payment and funds transfer activities in the DIFC, and we look forward to seeing growth in this area in 2021. In 2020, we had the largest number of applicants ever applying for an Innovation Testing Licence (ITL). The business models included artificial intelligence-enabled wealth management; machine learning-enabled and Blockchain-based SME micro financing; escrow services; money transmission, stored value, payment initiation, and account information service providers.

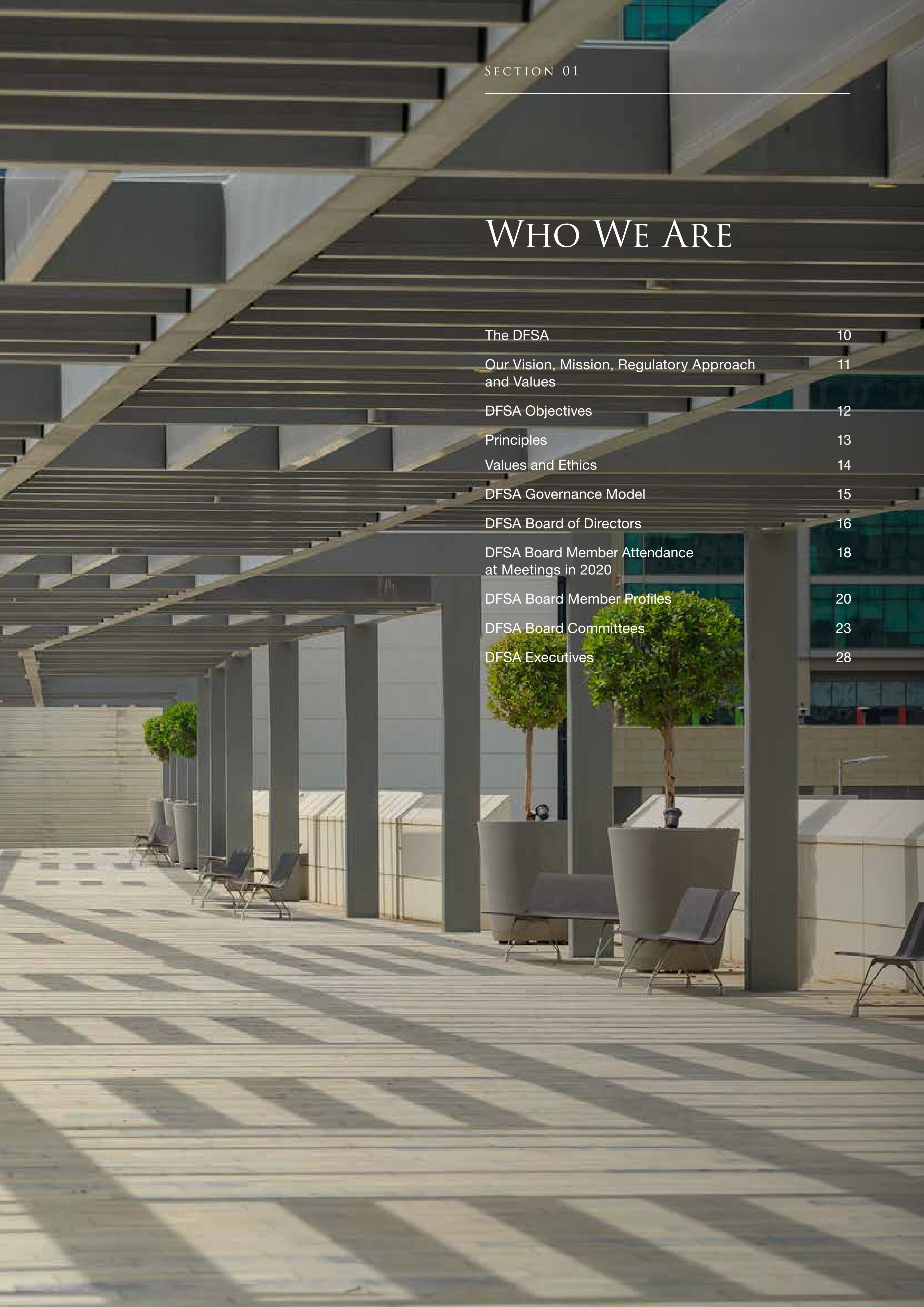
The DFSA was involved in a number of virtual seminars and outreach sessions, including hosting two events in our RegTech Live series in June and November – which proved to be excellent opportunities to showcase and discuss innovation in regulatory compliance technology, including e-KYC, digital on-boarding and transaction monitoring solutions. Innovation is a key area of focus for the DFSA and the DIFC. I do believe that innovation is very much the future of finance, so facilitating and encouraging the development of new technologies is a priority.

In 2020, the DFSA continued to investigate cases of potential misconduct, taking appropriate action to sanction firms and individuals who had committed misconduct. During the year, the Financial Markets Tribunal upheld two of the DFSA's decisions, concerning Al Masah and related individuals, and Dr Mubashir Sheikh, when these were referred to the FMT by the persons concerned.

I extend my sincere thanks to HE Essa Abdulfattah Kazim and Arif Amiri for their continued support. Finally, I express my gratitude to the DFSA Board and, most of all, to our staff for their resilience, hard work and perseverance over this past year.

Bryan Stirewalt
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 to the individuals and firms it regulates. The DFSA also exercises delegated enforcement powers under the DIFC Companies Law.

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 Organization 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.

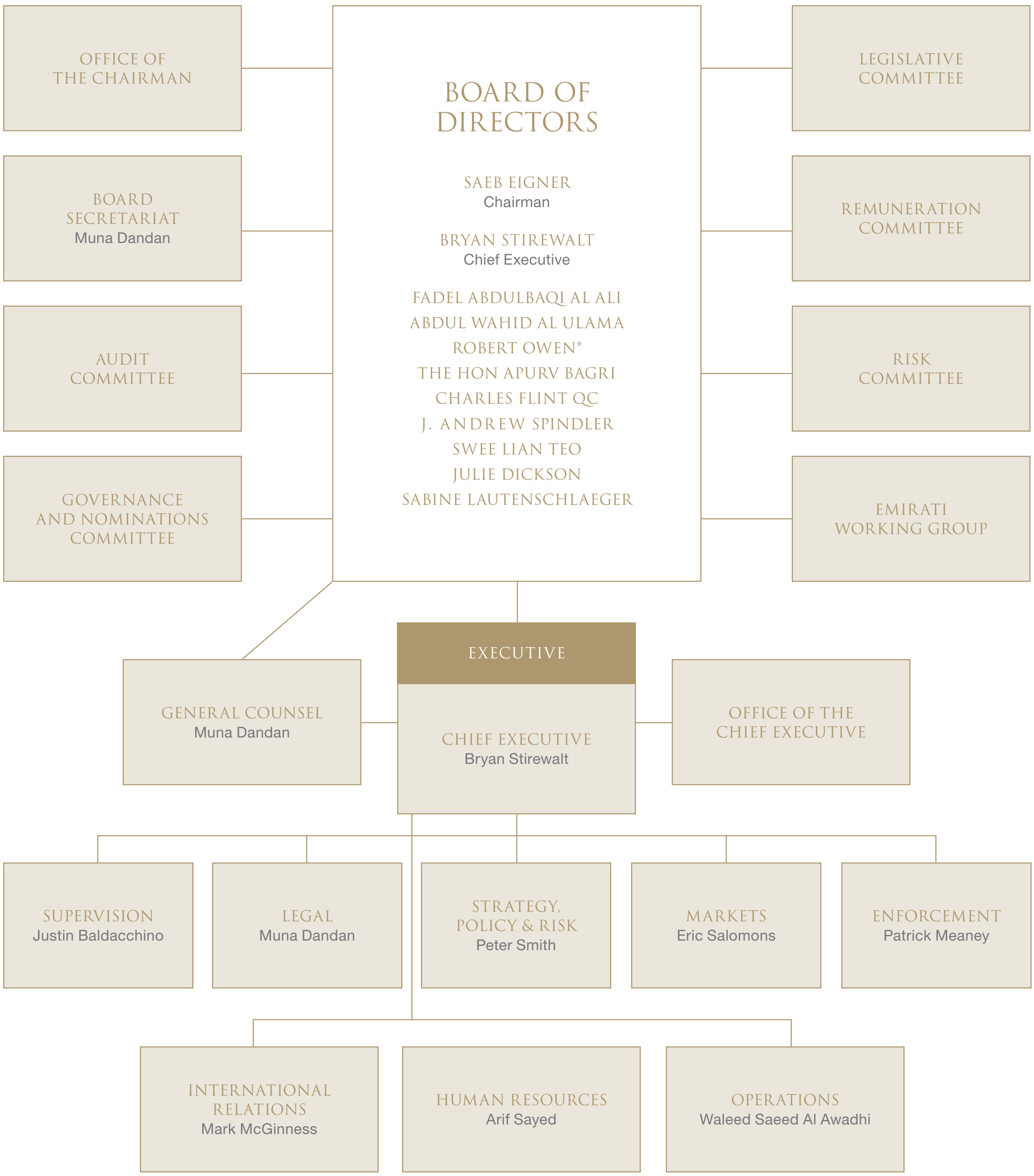
Values and Ethics

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



* Retired with the effect 30 June 2020

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;
- 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;
- Review the performance of the Chief Executive;
- Provide direction to the Chief Executive;
- Appoint members to the Financial Markets Tribunal (FMT);
- 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; and
- Review and issue standards and codes of practice.

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

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

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

All Board Directors are appointed by the President of the DIFC for three-year terms. All Board Directors have entered into a service agreement with the DFSA, which details terms of appointment, duties, remuneration and expenses, confidentiality, conflicts of interest, term and termination and indemnities.

As at 31 December 2020, the Board consists of 10 members and all but the Chief Executive are independent non-Executive Directors. The Board is supported by the Secretary to the Board of Directors who is also the General Counsel.

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

The Board, as required under the Regulatory Law, has appointed a 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 2020

	Committees						
	Board	Remuneration Committee	Legislative Committee	Governance & Nominations Committee	Audit Committee	Risk Committee	Emirati Working Group
Saeb Eigner	7/7	5/5		5/5		3/3	
Bryan Stirewalt	7/7	5/5	4/4	1/1	4/4	3/3	0/0
Abdul Wahid Al Ulama	7/7	5/5	4/4			3/3	0/0
Fadel Abdulbaqi Al Ali	6/7	5/5			4/4	1/1	0/0
J. Andrew Spindler	7/7			4/4	4/4	2/2	0/0
Charles Flint QC	7/7		4/4			3/3	
The Hon Apurv Bagri	6/7	4/5		5/5	3/4		
Julie Dickson	7/7	2/2	4/4	4/4	4/4		
Swee Lian Teo	7/7			5/5		3/3	0/0
Sabine Lautenschläger	4/4		2/2	4/4		1/1	
Michael Blair QC*			4/4				
Peter Casey*			4/4				

* External Board Member

DFSA BOARD MEMBER PROFILES
(AS AT 31 DECEMBER 2020)

SAEB EIGNER
Chairman

Click Here for Biography.

BRYAN STIREWALT
Chief Executive

Click Here for Biography.

FADEL ABDULBAQI AL ALI
Board Member

Click Here for Biography.

ABDUL WAHID AL ULAMA
Board Member

Click Here for Biography.

THE HON APURV BAGRI

Board Member

Click Here for Biography.

CHARLES FLINT QC

Board Member

Click Here for Biography.

J. ANDREW SPINDLER

Board Member

Click Here for Biography.

SWEE LIAN TEO

Board Member

Click Here for Biography.

JULIE DICKSON

Board Member

Click Here for Biography.

SABINE LAUTENSCHLAEGER

Board Member

Click Here for Biography.

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.

Legislative Committee members in 2020 were:
• Charles Flint QC (Chair)
• Abdul Wahid Al Ulama
• Julie Dickson
• Michael Blair QC *
• Peter Casey *
• Robert Owen **
• Sabine Lautenschläger ***
• Saeb Eigner ****
• Bryan Stirewalt ****
• Muna Dandan *****
• Peter Smith *****

* External member
** Retired with effect from 30 June 2020
*** Joined 23 July 2020
**** Ex officio
***** Executive member

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

In 2020, LegCo recommended to the Board changes to the DFSA's regulatory regime across a wide range of subjects. These included to:

- regulate persons conducting two new financial services relating to Employee Money Purchase Schemes. These proposals formed part of a number of changes proposed to the design of DIFC employees' end-of-service gratuity benefits under the DIFC Employment Law;
- create a regulatory regime to permit Small or Medium Sized Enterprises (SMEs) to list their shares on an Authorised Market Institution in the DIFC;
- create a regulatory regime to allow for Money Services activities in the DIFC;
- address the needs of the Venture Capital sector in the DIFC by introducing more bespoke requirements#;
- create a regime for Early Intervention, Recovery and Resolution in the DIFC; and
- make minor changes relating to (i) classification of Assessed Professional Clients; (ii) introduce a Periodic Fund Return#; (iii) disclosures by Operators of Loan Crowdfunding Platforms#; alongside proposed amendments to the Regulatory Law#, the Markets Law and the Investment Trust Law#; and updating references to the revised DIFC Companies Law.

LegCo agreed to publication of a number of Consultation Papers, the proposals in which were subsequently enacted during 2020. These are marked above with #.

LegCo also agreed to consultations being published on a number of issues, where final proposals for enactment have not yet been brought forward. These consultations covered:

- Large Exposures (CP132);
- Captive Insurers (CP134);
- Regulation of Retail OTC Leveraged Products (CP135); and
- Refinements to the EMP Regime (CP137).

In each of the above areas, the DFSA expects to make changes to its regime, by making final rules, during 2021.

The Committee received regular updates on legislative developments at the Federal, Emirate of Dubai and DIFC levels, including the potential impact of proposed and enacted legislation on the DFSA and its activities.

Lastly, LegCo were provided with updates on the progress being made to create a DIFC Virtual Assets regime, and also in respect of the follow up to the Financial Action Task Force (FATF) Mutual Evaluation of the UAE's regime to counter money laundering, terrorism financing and sanctions violations.

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.

Audit Committee members in 2020 were:
• J. Andrew Spindler (Chair)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Julie Dickson

During 2020, the Committee reviewed the audit report prepared by external auditors on the Financial Statements for 2019 and discussed this with the auditors. The DFSA's financial statements were assessed as being presented fairly and in accordance with International Public Sector Accounting Standards for the year ended 31 December 2019.

The Committee approved the re-appointment of PricewaterhouseCoopers as the DFSA's auditors for a three-year term, covering the financial years ending 31 December 2020 - 31 December 2022. The Committee approved changes to the DFSA's Operational Authority Matrix in the course of the year.

During the year, the internal audit function conducted a review of the DFSA's risk management framework, to evaluate how risks are identified, assessed and mitigated across the organisation. It also completed a review of the International Relations division and engaged a third-party to evaluate the controls in place to prevent and detect phishing attacks, including the level of employee awareness.

Following the advent of Covid19, the DFSA adapted to the pandemic with the rapid implementation of an extensive remote working business model which heightened the organisation's cyber risks. This development to the DFSA's risk landscape prompted the Committee to amend the annual audit plan intra-year to include a remote working cyber security review which was delivered by a specialist third-party.

The audit plan was also updated to include a thematic review of Covid-19 related risks which included an assessment of office working protocols, the crisis management framework, supervisory relief, insurance coverage, third-party risk, and budgetary discipline.

The Committee reviewed the draft budget for 2021 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 2020 were:
• Swee Lian Teo (Chair)
• Abdul Wahid Al Ulama
• Charles Flint QC
• Fadel Abdulbaqi Al Ali (until 9 July 2020)
• Robert Owen (retired with effect from 30 June 2020)
• Sabine Lautenschläger (with effect from 23 July 2020)
• J. Andrew Spindler (with effect from 10 July 2020)
• Saeb Eigner *
• Bryan Stirewalt *

* Ex-officio

During 2020, the Risk Committee held three meetings, at which it carried out the following regular activities:

- Discussed current macro level and global issues and considered the extent to which those issues might impact on the DFSA or the development of the DIFC;
- Reviewed ongoing efforts by the DFSA to mitigate the main (non-firm specific) risks that it faces, as set out in the 2020 Risk Inventory, covering mitigating actions already in hand or planned, the level of residual risk the DFSA is exposed to, and whether supplemental measures should be adopted in relation to particular risks;
- Reviewed the 2020 Risk Inventory, prepared by the Executive, to determine which (non-firm specific) risks should be considered the highest priority risks that the DFSA faces;
- Reviewed the DFSA's 2020 Risk Tolerance Statement, with support from the Executive. This is used to guide the Executive in their business planning and day-to-day decision-making. This involved canvassing the opinions of Board members concerning the extent of their concern about a variety of risk scenarios; and
- Updated the Board's summary of the top broad risks facing the DFSA, also designed to guide decisionimaking by the Executive.

The Committee also discussed, during 2020, further development of the DFSA's risk culture and risk management framework. This included discussions pertaining to how the Executive plans to implement the recommendations contained in the Internal Audit review of the DFSA's risk management framework. Such initiatives will seek to enhance the way risk is identified, assessed, mitigated and monitored within the organisation and enhance our approach to managing enterprise risk. These initiatives will strengthen our risk-based approach to regulation and equip DFSA staff with better tools and processes to address risk issues.

At its first meeting of the year, in February, the Committee discussed the emerging Covid-19 pandemic and offered guidance and support to the Executive in dealing with this global crisis, which had not yet fully impacted the UAE at that time. The Committee discussed the impact of the pandemic on the DFSA, including on our ability to manage both existing and new risks during the crisis, at its subsequent meetings during 2020.

The committee also considered the DFSA's implementation of a new crisis management framework, covering both regulatory and operational crises. This follows the work undertaken by the Executive in conjunction with an external consultant to review and enhance how the DFSA responds to crises.

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, to make recommendations to the Board in terms of new Board members, and to develop a succession programme for the DFSA. The Committee also develops and recommends to the Board a set of governance principles.

Governance and Nominations Committee members in 2020 were:
• Saeb Eigner* (Chair with effect from 9 July 2020)
• The Hon Apurv Bagri
• J. Andrew Spindler
• Swee Lian Teo
• Julie Dickson (with effect from 27 October 2020)
• Sabine Lautenschläger (with effect from 27 October 2020)
• Bryan Stirewalt

* Ex-officio

During 2020, the Committee oversaw the re-appointment of the President and Members of the Financial Markets Tribunal for further three-year terms.

The Committee also commenced the process of identifying potential candidates to replace the Chief Executive, who will retire from the DFSA at the end of his term. The Committee engaged an international firm of head-hunters to assist with this process.

The Committee also assessed the Board's requirements for external advisers and made recommendations to the Board in this regard.

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 2020 were:
• Abdul Wahid Al Ulama (Chair)
• Fadel Abdulbaqi Al Ali
• The Hon Apurv Bagri
• Julie Dickson (with effect from 10 July 2020)
• Bryan Stirewalt (Chief Executive)
• Saeb Eigner *

* Ex-officio

During 2020, the Committee made recommendations to the Board on the implementation of a revised approach to remuneration after reviewing market conditions and best practice and in order to align with the DFSA's long term strategy on sustainability. The Committee also provided updates to the Board on numerous HR-related issues arising from the pandemic and discussed how best to manage them.

After a comprehensive review of the HR policies, the Committee considered and approved amendments to the HR policies needed as a consequence of the changing environment and working conditions.

The Committee reviewed progress and development of employees including UAE Nationals. The Committee also considered during the year a range of other Human Resources matters, including talent development and resourcing.

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 2020, membership of the Working Group included selected Board members and members of senior management as follows:
• Abdul Wahid Al Ulama (Chair)
• J. Andrew Spindler
• Fadel Abdulbaqi Al Ali
• Swee Lian Teo
• Muna Dandan * (stepped down as Dean of the TRL Programme on 31 Oct 2020)
• Eric Salomons * (assumed role of Dean with effect from 1 Nov 2020)
• Waleed Saeed Al Awadhi *
• Arif Sayed *

* Member of Executive

During 2020, the Emirati Working Group oversaw the talent development of UAE Nationals in the DFSA. Regrettably, due to the disruptions caused by the pandemic, the decision was made to postpone the 2020 TRL Programme intake until 2021.

The Chairman periodically engaged with UAE Nationals throughout the year about various aspects of employee engagement and wellness during the unfolding crisis.

Sadly, the Emirati Working Group bid farewell to Muna Dandan from her role as Dean. The Working Group and its Chairman, Abdul Wahid Al Ulama thanked Muna for her contribution over the five years she had served as the TRL Programme's Dean.

The Emirati Working Group duly appointed Eric Salomons, Head of Markets Division, to lead the TRL Programme through its next phase.

FINANCIAL MARKETS TRIBUNAL

The Financial Markets Tribunal (FMT) 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 FMT's members are appointed by the DFSA Board of Directors, but it is operationally independent of the Board and the DFSA Executive.

FMT members in 2020 were:
• His Honour David Mackie CBE QC (President)
• Ali Malek QC
• Bankim Thanki QC
• Jeremy Gauntlett SC
• Patrick Storey
• Ali Al Aidarous
• Ali Al Hashimi

(their profiles may be found on the DFSA website)

In 2020, the FMT considered references of eight DFSA decisions. Seven matters were carried over from 2019 and one new matter was referred to the FMT during 2020. One matter was subsequently withdrawn and six were decided after full hearings held remotely in April and May 2020. The FMT issued its decisions in these matters in October 2020 and they were published on the FMT section of the DFSA's website. The remaining matter referred to the FMT during 2020 is still in its early stages and is ongoing.

DFSA Executives

BRYAN STIREWALT
Chief Executive

Click Here for Biography.

WALEED SAEED AL AWADHI
Chief Operating Officer

Click Here for Biography.

PETER SMITH
Managing Director

Click Here for Biography.

MUNA DANDAN
General Counsel and Secretary to the Board,
Head of Legal Affairs

Click Here for Biography.

MARK MCGINNESS
Director, Head of International Relations

Click Here for Biography.

PATRICK MEANEY
Head of Enforcement

Click Here for Biography.

ERIC SALOMONS
Director, Head of Markets

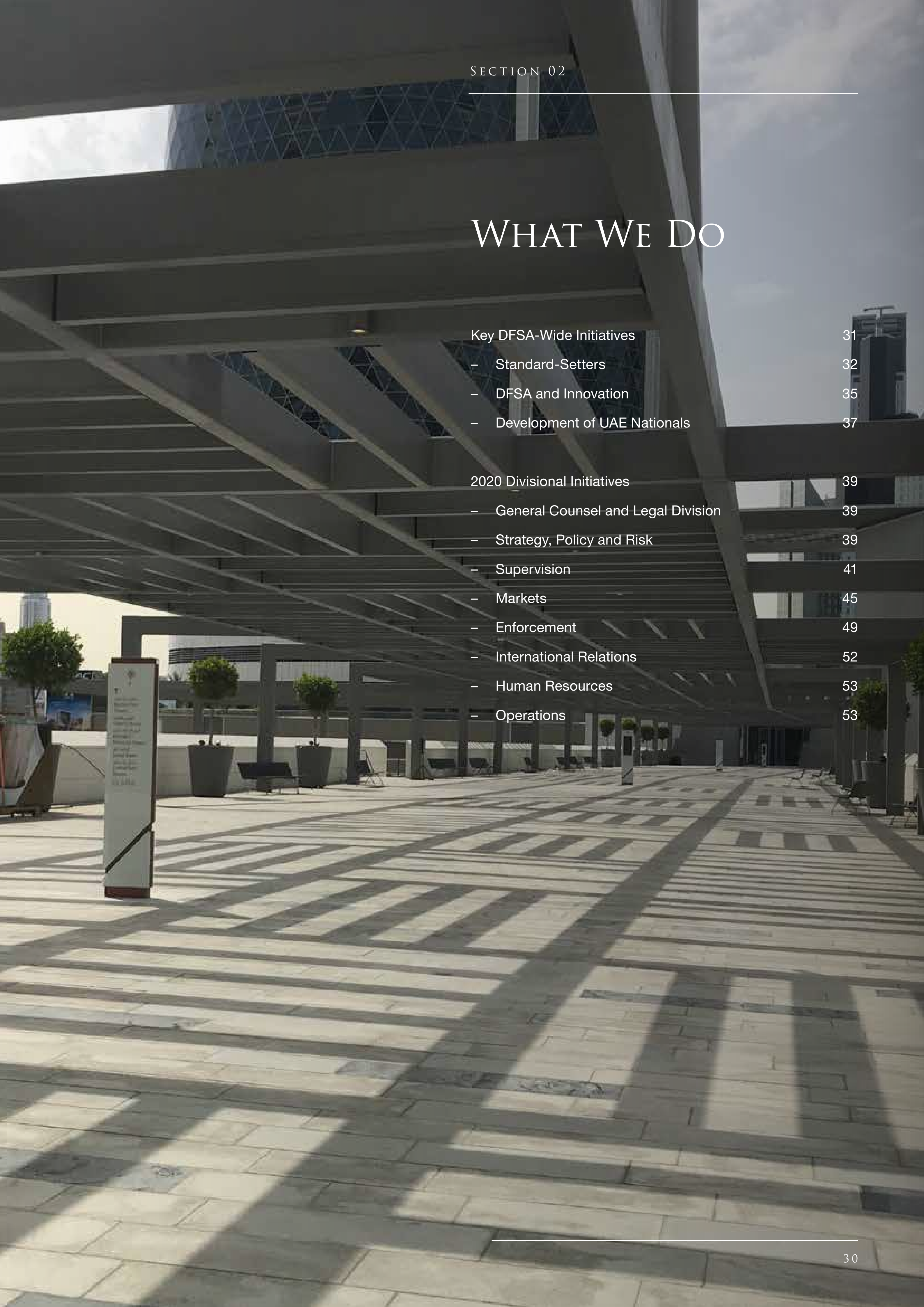
Click Here for Biography.

ARIF SAYED
Director, Head of Human Resources

Click Here for Biography.

JUSTIN BALDACCHINO
Managing Director, Supervision

Click Here for Biography.



What We Do

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 2020.

STANDARD-SETTERS

DFSA'S INVOLVEMENT

The DFSA operates a regulatory regime that embraces and implements international standards in a manner proportionate to the size and activities of DIFC firms. This guarantees a business-friendly environment in the DIFC, so that firms can enjoy a stable, predictable and globally-recognised framework in which to establish and grow their businesses.

As in previous years, an important aspect of the DFSA's work in 2020 was to contribute to shaping the development of international standards so that they reflect the needs of jurisdictions such as the DIFC.

Our involvement with the main international standard-setters for sectors of the financial industry comprised our direct participation in their work, through various committees, working groups and task forces, as well as written contributions by completing over 10 surveys and commenting on close to 20 formal (i.e. published) and informal (i.e. drafting-stage) papers and reports. While we attended various standard-setter meetings in person in the first quarter of 2020, the disruption caused by the Covid-19 pandemic saw meetings conducted via on-line platforms for the rest of the year. This also led to more frequent meetings than is normal, as demanded by the circumstances.

As in previous years, we also continued providing assistance to regional and local regulators and responded to 11 requests this year to complete surveys and share experience and best practice. These come to us either via the Knowledge Sharing Platform hosted by the International Organization of Securities Commissions (IOSCO) or through bilateral requests. This brings the total number of such contributions in the past few years to well over 30.

BANKING

The DFSA's Chief Executive, Bryan Stirewalt, co-chairs the Basel Consultative Group (BCG). In this role, he is also an observer on the Basel Committee for Banking Supervision (BCBS). 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 March, we contributed to a joint survey, conducted by the BCG and by the World Bank Group, on proportionality in regulation and supervision, a topic of current interest at the BCBS.

In light of the Covid-19 pandemic, the BCBS - in which Bryan Stirewalt actively participated - met over twenty times and focused on the impact of the pandemic on the global banking industry. This required the operation of an appropriate monitoring framework, while putting in place adequate relief measures to alleviate burdens on banks and adapting policy and supervisory measures to identify and address the risks and vulnerabilities that had emerged in the wake of the pandemic.

During 2020, the BCBS also completed its post-crisis standard making by issuing a few remaining standards, in particular on the margin requirement of non-CCP cleared derivatives, the capital treatment of securitisation of non-performing loans and credit valuation adjustment risk. The final standards are now published in a consolidated form on the BCBS website, while the implementation of a number of them, which are elements of the Basel III package, is delayed to 1 January 2023 to allow for the pandemic conditions.

The BCBS also published important guidelines on external audits of banks related to expected credit loss and on supervisory cooperation in the area of preventing money laundering and terrorism financing, as well as papers on London Inter-Bank Offered Rate (LIBOR) transition, all of which the DFSA has considered in its ongoing work. While continuing its regular monitoring of standards implementation through, for example, the Regulatory Consistency Assessment Programme, the BCBS also consulted on several draft standards, in particular on the updated principles on operational resilience, which are considered crucial during a pandemic. The DFSA contributed to standards development through our provision of formal and drafting-stage comments.

INSURANCE

In the insurance sector, Peter Smith, Managing Director, Strategy, Policy & Risk, represents the DFSA on the Policy Development Committee of the IAIS. Owing to this, the DFSA continued to influence the IAIS's efforts to develop policies and standards to increase policyholder protection and maintain financial stability, while representing views of jurisdictions such as the DIFC.

In particular, during 2020, the DFSA contributed to developing standards on the recovery and resolution of insurers; addressing risks to the insurance sector related to the transition away from LIBOR; cyber threats and technological developments such as Big Data; as well as climate change, in particular in relation to supervising climate-related risks and implementing the recommendation of the Task Force on Climate-related Financial Disclosures by insurers. While final reports and standards were published in relation to some of these matters, in a few cases the efforts to develop appropriate approaches are still ongoing.

The DFSA's Director, Head of International Relations, Mark McGinness, was a member of the IAIS MMoU Signatories Working Group and one of its Lead Validators, assessing, since the DFSA signed in 2010, other applications to become a signatory to the IAIS MMoU. While the IAIS MMoU is not mandatory for its members, 76 jurisdictions, amounting to over 75% of global insurance premiums, have become signatories to date. This assists in ensuring a consistent and growing insurance supervisors' network facilitating exchange of information in various important areas.

Mr McGinness was also a member of the Standards Assessment Working Group, established to oversee implementation of the IAIS's supervisory material, including its Insurance Core Principles. During the year, expert teams within the working group undertook peer review assessments of seven ICPs, with another two proposed for early 2021. The DFSA also takes part in the Asian Forum of Insurance Regulators (AFIR), whose membership includes supervisors from Australia, Japan and Singapore and the large emerging insurance markets of China and India.

SECURITIES AND MARKETS

The DFSA is a Member of the International Organization of Securities Commissions (IOSCO) and in 2020 was re-elected, for the third time, to the Steering Committee of IOSCO's Growth and Emerging Markets (GEM) Committee. In this role, we assist in identifying issues, highlighting concerns, and shaping the development of emerging securities markets, which account for two-thirds of IOSCO's membership. This year, the GEM Committee focused on capacity building via its online toolkit, advancing FinTech and identifying risks to emerging markets from the Covid-19 pandemic. As part of the GEM Committee and through the policy committees mentioned below, the DFSA also contributed to the annual IOSCO Risk Outlook.

Much of IOSCO's work takes place in its policy committees, and the DFSA participates in some of them:

- the DFSA's Head of Markets, Eric Salomons, is a member of Committee 2 on Secondary Markets (Committee 2) and Committee 7 on Derivatives (Committee 7). In 2020, Committee 2 focused on several areas including exchange membership costs, business continuity and recovery of market intermediaries and trading venues, liquidity provision and the cost of data. Committee 7's mandate covers reviewing the IOSCO principles for commodity derivative markets. This year, it discussed the emergence of climate-related derivatives, confidence in the underlying commodity markets and pandemic-induced volatility, as well as supervisory information sharing on derivatives.

- The DFSA's Head of Enforcement, Patrick Meaney, and Christopher D'Cotta, Associate Director, Enforcement, participate in the Committee on

Enforcement and Cooperation (Committee 4) and the MMoU Screening Group. Committee 4 focused on matters such as regulatory arbitrage and complex investigations into unauthorised activity. The DFSA is also leading a review of the IOSCO Credible Deterrence paper published in 2015, which the DFSA had co-drafted together with other IOSCO members. The IOSCO Screening Group continued to assess applicants to become signatories to the IOSCO MMoU and those seeking admission to the IOSCO Enhanced MMoU (EMMoU). The DFSA formally joined the list of EMMoU signatories in January 2020.

- Mark McGinness was a member, from 2005, of the IOSCO Assessment Committee, which reviews and updates the IOSCO Principles and the methodology facilitating their effective implementation. In 2020, the Committee conducted reviews on Liquidity Risk Management, Money Market Funds and Business Continuity Plans. Tim Binning, Associate Director, Legal also participated in a review of some 40 members' implementation of the five high-level regulators' principles, which is expected to be completed in 2021; and

- The DFSA also participates in IOSCO's Africa and Middle East Regional Committee (AMERC), which convened four times in 2020, identifying common priorities, challenges and risks in the region, particularly individual responses to the pandemic. A Listing Situation report, a study of the listing requirements within AMERC's jurisdictions, was also finalised.

In addition, we participated in conference calls of the IOSCO Initial Coin Offering (ICO) Network, a loose cross-committee grouping of interested members who regularly discuss issues and challenges in the ICO and digital asset area. In November, the DFSA also joined IOSCO's FinTech Network, a forum that shares regulatory developments and challenges in the area of innovation among the membership.

ISLAMIC FINANCE

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

The most important avenue for the DFSA's contribution has been our participation in the work of the Islamic Financial Services Board (IFSB). The DFSA is a Full Member of the IFSB and is usually represented at meetings of the IFSB Council by the Chief Executive or the Chief Operating Officer, Waleed Al Awadhi. The DFSA actively supported IFSB work in 2020, responding to three public and several informal consultations on the IFSB exposure drafts and working papers in the area of takaful and Islamic windows. We also contributed to five IFSB surveys, including on financial market infrastructures, takaful, Shari'ah principles and future work focus areas of the IFSB.

Since early 2019, Anita Wieja-Caruba, Senior Manager, Strategy, Policy & Risk, has been representing the DFSA at the IFSB Task Force to draft a Technical Note on Recovery and Resolution of institutions offering Islamic financial services, which is expected to complete its work in 2021.

In addition, Basheer Ahmad, Senior Manager, Markets, joined the Sukuk Al-Ijarah Documentation Standardisation Working Group organised by the International Islamic Financial Market.

We have also expressed our strong support to the Islamic standards codification project launched jointly by the UAE Ministry of Finance, the Islamic Development Bank and the Dubai Islamic Economy Development Centre in the course of 2020.

AUDIT

In the area of audit the DFSA continues to be actively involved in the work of the International Forum of Independent Audit Regulators (IFIAR) through our representative, Naweed Lalani, Director, Supervision. In 2020, in addition to taking part in the annual IFIAR Inspection Workshop, we contributed to the annual Inspection Findings Survey and an IFIAR Enforcement Working Group Survey.

In addition to supporting a number of regional and international regulators in establishing audit oversight divisions, the DFSA also participated in a roundtable on audit quality organised by the Financial Stability Board (FSB), alongside participating in the FSB annual meeting of the Asian-Oceanian Standards Setters Group.

FATF AND OECD ENGAGEMENT

Fighting financial crime remains a key regulatory priority for the DFSA. The DFSA continues to support fully the UAE's strong commitment and efforts to comply with the FATF Recommendations and implement the findings from the FATF Mutual Evaluation Report of the UAE (MER) published on 30 April 2020.

The FATF MER made a number of positive statements including recognition of the DFSA's efforts to: develop a detailed understanding of ML/TF risk in the areas they supervise, which extends to the individual institution level; apply a developed risk-based approach since 2013 and has recently further developed this to enhance supervision activity based on ML/TF risk; and apply effective, proportionate and dissuasive sanctions against both firms and individuals.

The UAE has updated its National Strategy for Combating Money Laundering and Terrorism Financing (2020-2022). The National Strategy outlines a plan for the UAE to strengthen further its national AML/CFT framework in line with the risks identified in the National Risk Assessment of the UAE and in the FATF MER. The UAE has also agreed upon a National Action Plan, which identifies the various actions which designated authorities must complete to address the UAE's strategic goals. The DFSA has considered relevant findings and taken appropriate steps to address specific action items.

The DFSA understands that our efforts to combat financial crime must be carried out under the AML/CTF framework of the UAE and in collaboration with our regulated community and other government authorities, domestic and foreign regulators and law enforcement agencies, and corporate registrars, including the DIFC Registrar of Companies. Given this background, we continue to engage with our regulated population to help them understand, and act in compliance with, UAE Federal AML Laws.

We also continue to work closely with other UAE authorities and we actively participate in UAE AML related committees, including as a member of the UAE's National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organisations; and as a member of both the UAE National Risk Assessment Sub-Committee and the Financial Supervisors Sub-Committee.

In addition to the response to the MER by FATF, we remain committed to help the UAE fulfil its obligations as part of the international community. In particular, there are ongoing evaluations of the UAE by the Organisation for Economic Cooperation and Development (OECD) in respect of compliance with international taxation standards.

The UAE is currently a member of both the OECD Global Forum for the Exchange of Information for Tax Purposes (OECD Global Forum) and the OECD Inclusive Framework on Base Erosion and Profit Shifting (OECD BEPS). The Ministry of Finance (MoF) is leading the UAE's efforts on compliance with the relevant OECD standards.

The OECD Global Forum has oversight over those countries that have committed to the bilateral exchange of information for tax purposes (EOIR) and those countries that have committed to the automatic exchange of information for tax purposes (Common Reporting Standards – CRS). The UAE is currently subject to ongoing assessments relating to (both technical compliance and effectiveness assessments):

- OECD Global Forum on the implementation of the Common Reporting Standards; and
- OECD BEPS focusing on legislation issued by the UAE to address economic substance regulations and country-by-country reporting requirements for multi-national companies.

In respect of the DIFC, the DIFC Registrar of Companies is responsible for engaging with the Ministry of Finance on compliance by all relevant entities in the DIFC with any applicable UAE and DIFC legislation implementing OECD tax related standards. This year we have seen further amendments made to the CRS and economic substance regulations (whether at the DIFC or UAE level) to comply with relevant OECD standards. We have also seen outreach sessions and the issuance of updated guidance documents to assist firms, with new reporting templates and centralised platforms introduced at a UAE level to streamline reporting obligations. The DFSA will continue working closely with the DIFC Registrar of Companies to encourage relevant DFSA regulated entities to comply with OECD related legislation.

DFSA AND INNOVATION

"INNOVATION" THE NEW NORMAL

INTRODUCTION

Technological innovations can take many forms, whether by digital transformations, or the use of disruptive technology. The pace of change can also differ greatly. In recent years, some financial institutions have been using technology to support new business models, products or services, or to solve regulatory and compliance requirements. This was done as a choice, which was about increasing operational and market efficiencies or enhancing the customer experience – all to remain competitive in the market.

Many have found the journey difficult. The use of technology, specifically new technology, often requires shedding old habits, updating cultural norms, upskilling employees and adjusting ways of thinking. Connecting the dots between digital initiatives, strategy and business enablement is challenging, and is not one that all institutions – or regulators – have made seamlessly.

But times are changing, even more so as a result of Covid-19, and technological changes are disrupting the landscape of financial services. It is now a race to invest and increase the pace in developing the necessary capabilities to make the changes.

BALANCING THE RISK

While many of these innovative developments have presented benefits to consumers, such as financial inclusion, access to a wider range of financial products and greater convenience, they are not risk free.

There are risks related to data security and privacy, mis-selling and a general lack of consumer understanding of how these new products and services work. There are also direct risks to the financial sector, such as cyber security and money laundering and financing of terrorism. Legal and regulatory uncertainty are also major areas of concern.

The financial services sector needs to make informed choices about how they are going to adapt and make considered and measured choices as they continue to make changes to their processes and business models.

The same applies to the DFSA. We recognise the key role we have to play in giving a clear regulatory direction for firms providing, and for consumers accessing, innovative products and services, while at the same time meeting our regulatory objectives.

What has the DFSA done in 2020 to support innovative developments in the sector while, at the same time, fulfilling our regulatory responsibilities?

INTERNAL DEVELOPMENTS

Data, and its value, are growing exponentially every year. Financial institutions hold a considerable amount of data, and are increasingly finding innovative ways to unlock and use the vast amount of data they hold.

However, the value of data is not limited to financial services institutions. The DFSA collects, holds and uses a considerable amount of data. We have been considering how we can do better in drawing insights from the data we hold and use, which led to the creation of the DFSA's "Digital Data Strategy" in 2020.

This strategy will build upon the strong foundations we already have surrounding the use of data in our organisation. We are looking to:

- better define our data needs – we need to ask ourselves do we need all the data we collect? Do we have any blind spots? What is the quality of data we hold, can it be improved?
- digitise more processes, where possible - not just because we can, but because it adds value, including eliminating obsolete processes;
- make data available to those who need it - clearly in line with data protection laws;
- automate more of the analysis we undertake - so that we can generate new and further insights about the market we regulate; and
- focus on user needs.

PAYMENTS

We are seeing the traditional bank-based ecosystems being disrupted by non-bank innovators, providing digital payment services to their customers.

But these digital payments do not come without risk, and many regulators are making changes to their regulatory regime to enable these non-bank payment providers to operate in a clearly regulated environment. The DFSA is one of those regulators and, in early 2020, we introduced a comprehensive Money Services regime.

This regulatory framework allows for a wide range of digital payment activities including, for example:

- Account Information Services – provide a consolidated view of one or more wallets or accounts held by a user with multiple different providers;
- Payment Initiation Services – initiate a payment order on a user's request, from an account held with a different payment service provider. They work by establishing a software "bridge" between the website of a merchant and the online banking platform of the user's bank in order to allow that user to initiate a payment;
- Stored Value; and
- Remittances.

EXTERNAL DEVELOPMENTS

Once again, we spent much time this year engaging with external stakeholders on issues relating to innovation.

The DFSA continues to receive many requests from local and regional regulators asking for advice about how to create and implement innovative regulations and frameworks that would allow them to foster possibilities provided by the use of innovation in the sector. We have built a programme that allows us to share DFSA experiences in this area and help these regulators build their own innovation programmes.

We have continued our leading role in the Global Financial Innovation Network (GFIN). We worked on developing the GFIN website, which went live in early 2020, and participated in the first GFIN cross-border trials, in which GFIN members worked together to provide efficient ways for innovative firms to engage with regulators and test their products and services across multiple jurisdictions. We are also active members of many of the GFIN workstreams, which are looking at regulatory reporting, the running of tech sprints and how technology can support the regulator.

Closer to home, we continue to work alongside DIFC FinTech Hive and with the firms that participate in the programmes they run. In 2020, we provided “virtual” support to their fourth accelerator programme, which saw 11 firms accepted. We met with each firm to determine what support the DFSA could provide to the firms, both in a regulatory and non-regulatory manner.

In 2020, the DFSA attended, participated in, and spoke at, a large number of conferences and summits to discuss developments in innovation, how the DFSA was responding to those developments and how the DIFC had become the leading centre for financial services innovation in the region. We continue to receive many requests, both locally and globally, to speak on this topic.

WHAT NEXT?

The DFSA continues to evaluate our approach to supporting innovation in the sector.

In 2021, we will be working on an engagement plan for Regulatory Technology providers (RegTechs). This will set expectations on how and where we can help firms that do not need a DFSA licence. This will build on the two RegTech events we held in 2020 to create more awareness of these types of providers and the products and services they offer.

We continue to evaluate the Innovation Programme so that it remains fit for purpose and meets the needs and expectations of the market.

We also continue to look at the way we operate and ask if we have the right people with the right skills to keep pace with technological developments, skills that have not necessarily been needed by regulators before.

DEVELOPMENT OF UAE NATIONALS

The DFSA maintains a strong commitment to the development of UAE Nationals. In 2020 this was achieved at both graduate and technical levels as efforts were refocused to deal with the pandemic. Our TRL Programme continued to develop five Associates through a mixture of on-job experience, workshops, and professional qualifications with the assistance of an international pool of coaches, trainers and mentors.

Towards the end of 2020 four individuals were promoted from the TRL Programme as they completed all its requirements and were placed around the organisation in Supervision, Markets and Enforcement Divisions. The next cohort of UAE Nationals to join the Programme will onboard in September 2021. The Programme they join has been reviewed and upgraded to ensure it remains relevant to the manpower needs of the DFSA.

The Programme still aims to broaden the skillsets of our UAE Nationals from both a leadership and technical perspective, while building knowledge of financial markets and regulation remain at its core. The DFSA believes that the Programme should equip our future leaders with the ability to offer a multitude of perspectives to the organisation to support its regulatory strength.

In addition to the TRL Programme, the DFSA continued with the first intake of the Bawabaty Professional Pathway qualifying UAE Nationals within our operational teams. Graduates have been hired into Finance and HR and are rotating through various areas of the business as well as undertaking professional certifications.

A number of Nationals also achieved the ICA Diploma in Anti-Money Laundering to bolster the organisations capability in this critical area.

2020 Divisional Initiatives

THE GENERAL COUNSEL AND LEGAL DIVISION

During 2020, 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.

The Division advised 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. This included providing legal advice on authorisation, Fintech, supervision, market and data related matters. The Division also managed the review of draft Federal and Dubai legislation and provided comments to the Supreme Legislation Committee.

The Division processed waiver and modification applications through the Rules and Waivers Committee and also as part of relief provided by the DFSA from the impact of the Covid-19 pandemic. The Division provided legal and administrative support to the Decision-Making Committee in respect of several matters in 2020. The Division was also responsible for reviewing and advising upon contracts and insurance policies.

In 2020, eight DFSA decisions were considered by the Financial Markets Tribunal (FMT). Seven matters were carried over from 2019 and one new matter was referred to the FMT during 2020. One reference was withdrawn and six matters were decided after full hearings. The Legal Division has been responsible for managing the litigation on behalf of the DFSA in the proceedings before the FMT. The Division has also represented the DFSA in the DIFC Courts, including in respect of proceedings involving a data protection matter.

In addition to managing and supervising the activities of the Legal Division, the General Counsel advised the Board of Directors and its committees in respect of governance and legal issues throughout 2020. The General Counsel also performed the role of Board Secretary in managing the business of the Board and its committees.

STRATEGY, POLICY AND RISK

STRATEGY AND BUSINESS PLANNING

The SPR team is responsible for analysis in a number of areas that contribute to the DFSA's strategic thinking. One output is the DFSA's Business Plan, produced by the team, which is published every two years covering the two years ahead. During 2020, SPR worked on the 2021/22 Business Plan, which will be published early in 2021.

In 2020, the team continued to analyse, and report on, economic, political and other developments relevant to the DFSA's operations, as well as reporting on developments in the work of the international standard-setters (see Standard-Setters section on page 32). On the economics front, the team produced weekly notes for DFSA colleagues providing an update on economic developments and the impact of the pandemic, as well as a number of in-depth pieces on specific issues.

We are also actively involved in work to further the sustainable finance agenda, supporting the UAE's efforts to work towards delivery of the UN's Sustainable Development Agenda goals. The detail of our activities is set out elsewhere (see page 41), but SPR staff, and others, have engaged broadly across the UAE and internationally on this topic.

Again, as set out elsewhere (see page 44), the SPR team has been instrumental in driving the DFSA's approach to innovation, both internally – as regards our Digital Data Strategy – and externally through our regulatory regime to facilitate, and address the risks from, innovative financial services businesses. This is part of our contribution to the DIFCA's Future of Finance Strategy, to which we have devoted significant resources in 2020 and will do so again in 2021.

Lastly on strategy, we have worked with the Central Bank of the UAE to support its plans for the development of the UAE's financial sector, both as regards conventional and innovative businesses.

POLICY

During 2020 the Strategy, Policy & Risk (SPR) Division completed a number of key policy projects, many of which are described in the section of the report on the work of the Board Legislative Committee (see page 23). Highlights included:

- completing the work to implement a Recovery and Resolution regime for banks in the DIFC, in line with the FSB's recommendations;
- launching a comprehensive regime for the regulation of Money Services, which has drawn considerable interest from firms wishing to set up in the DIFC and provide one or more of the money services covered by the regime, such as remittances; and
- putting in place a regime tailored to the needs and risks of the Venture Capital industry, having previously covered this under our more general Funds regime.

We continued to make smaller, but still important, changes to the DFSA regime through the publication of Miscellaneous Consultation Papers in 2020, as usual covering a broad range of policy topics.

As well as the other consultation papers issued in 2020, we have carried out work to prepare for a number of publications during 2021. This includes proposals on the regulation of Digital Assets, including security tokens, utility tokens, and exchange tokens (including cryptocurrencies and stablecoins).

Also in 2020, we have:

- continued to strengthen our relationships with other regulators, particularly within the UAE and the broader region, by sharing expertise;
- monitored consultations issued by international standard-setters and submitted comments on behalf of the DFSA; and
- participated in surveys, including peer review exercises, carried out by international organisations.

RISK FRAMEWORK

The SPR Division manages and develops the DFSA's overall risk framework, including setting out our approach to assessing regulatory risks, conducting exercises to establish the organisation's risk tolerance for firm-specific risks and updating our approach to the review of non-firm specific risks.

Also in 2020, the SPR team led work to examine, and look at ways of enhancing, the DFSA's risk culture, so that our staff are equipped as well as is possible to identify relevant risks and to deal with them in the manner that delivers the most appropriate regulatory outcome.

Once again, in 2020 we communicated to staff the DFSA's Risk Tolerance, which guides decision-making, including prioritisation of issues and resource allocation, in the day-to-day supervisory and regulatory activities of the DFSA.

The above 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 its regulation, supervision or its operations. The onset of the pandemic in 2020 led to the SPR team, with colleagues, examining a number of pandemic-specific risks and methods for risk mitigation. We also spent time looking at the work of risk professionals in other organisations to identify risks likely to materialise after the pandemic, both for the financial services industry and for the DFSA as an organisation.

2020 saw further work by SPR staff to support the updating of the DFSA's crisis management framework. We intend to complete this work in 2021, with the ongoing support of external consultants.

OUTREACH ACTIVITIES CONDUCTED DURING THE YEAR

The SPR team held one formal Outreach session for stakeholders in 2020. On the Innovation front, we took part in a number of sessions linked to the DIFC FinTech Hive, as the 2020 cohorts of firms have gone through their programmes. The Hive has continued to solidify its position as the pre-eminent financial services accelerator programme in the region.

SPR staff also spoke at a large number of webinars (seminars, conferences, roundtables and training courses) during the year, as part of the DFSA's broader engagement with stakeholders, on subjects as diverse as:

- the development of risk management in the pandemic;
- the DFSA's response to the FATF Mutual Evaluation of the UAE;
- developments in RegTech;
- macroeconomic developments in the GCC;
- innovation in financial services regulation;
- the development of sustainable finance and the broader ESG agenda in Dubai and the UAE; and
- the transition away from IBORs and existing benchmarks to alternative reference rates.

SUPERVISION

During 2020, we commenced the year focusing on a number of supervisory and regulatory priorities but had to learn to adapt very quickly as the Covid-19 Pandemic accelerated across the world. Consequently, as we moved to remote working we had to ensure we remained actively engaged with our regulated community. We did this through a series of "Dear SEO" letters covering a range of important messaging which urged firms to take the necessary precautions and adapt their routines and operations to mitigate the spread of the virus as well as articulating our expectations around keeping the DFSA informed of any material impact on their operations, staff, customers and financial condition.

We also responded to the pandemic by announcing regulatory relief measures to support the DIFC's regulated community. At this time we had paused all risk assessments but continued with thematic reviews using a desk-based approach where we were able to do so, and without placing undue burden on our firms. Our priority at this time became a reactionary response to the pandemic and with that in mind we adjusted the Supervision Division's operational set up to meet possible challenges ahead. A key component of this was being able to deal efficiently with the possible high demand for regulatory relief.

During the remainder of the year we continued to follow up with our firms on an individual basis as well as holding virtual outreach sessions with a particular emphasis upon operational risk / business continuity and cyber and financial crime risks that may have been exacerbated during the pandemic.

We also continued to support our regulatory peers across the country, as well as globally, in our efforts to improve supervisory practices and regulatory cooperation. Our work on international standard-setting bodies such as the BCBS, IAIS and IOSCO) has also continued, albeit virtually.

Despite the challenges faced by everyone this year, we ended the year positively, with the DFSA now having regulatory responsibility for 509 Authorised Firms, 17 Registered Auditors and 102 Designated Non-Financial Businesses and Professions (DNFBPs) - a total of 628 firms.

SUPERVISION ACTIVITY

During 2020 the Supervision Division has operated based on a structure comprising of the Authorisation unit and four broad operating units:

- Conduct of Business and Financial Crime Risks, covering general conduct issues with a particular emphasis on financial crime, client asset protection, client classification and suitability;
- Innovation and Technology Risks, covering corporate governance in general, back-office systems and controls and, increasingly, innovation, information technology, and cyber risks;
- Prudential Risks, including credit risk, liquidity risk, market risk and insurance risk; and
- The Infrastructure and Audit Team, monitoring external audit, accounting and rating agency issues across the population of Authorised Firms and regulated entities.

On the basis that we have dedicated teams responsible for the entire regulated population in respect of each of the key risk areas, a dedicated Relationship Manager is only assigned to Authorised Firms with larger footprints, heightened complexity or those that we determine require special supervisory oversight. This also means we carry out fewer vertical risk assessments for individual firms, and conduct more horizontal risk assessments (thematic reviews), based on products and risks. Indeed, with the pandemic the Conduct Team has further accelerated its move towards a full thematic approach.

With the world moving to remote working for long periods of time, the DFSA has continued to accelerate its roll-out of efficiency initiatives to further bolster our digitisation, automation and straight-through processing.

CONDUCT OF BUSINESS RISK

As well as having responsibility for the supervision of Conduct of Business and Financial Crime Risks across all financial institutions in the DIFC, the Conduct Team also has responsibility for the ongoing Authorisation and Supervision of all Private Banks, Investment Banks, Corporate Finance Firms, Fund Managers, Investment Managers, Wealth Managers, Advisory Firms and Representative Offices as well as registration of DNFBPs and Collective Investment Funds.

The authorisation activity for the Conduct Team has shown remarkable resilience throughout 2020 despite the Covid-19 pandemic and resulting economic effects on the global economy.

The pipeline of interest was buoyant in three of four quarters. We recorded the lowest level of engagement as the initial impact of the Pandemic took hold in quarter two. There was a marked bounce back in quarter three, with a more than doubling of applications and this momentum carried through into quarter four. The year-end saw a burst of activity and 2020 has had the highest number of applications in five years and the third highest since the DFSA launched in 2004.

We started the year by licensing the first pension scheme provider in the DIFC; to facilitate the DIFC Employee Workplace Savings Plan. The Wealth Management sector brought the bulk of licences in the advisory, fund management and discretionary asset management business models. The Funds sector continued to demonstrate positive growth with 18 new Domestic Fund launches. The Brokerage sector also maintained a relatively strong level of activity; providing four new licences and a further five applicants under active assessment. The pipeline at the end of 2020 has never been as strong. The indicators from our stakeholders are that we can expect this level of interest and activity to continue through 2021.

In relation to our supervisory activities, the first quarter of 2020 focused on delivery of a high number of firm risk assessments and senior management meetings with arranging and advising business models. During this period, we also started our thematic work on the Investment Services to Foreign Funds and continued our thematic work on Suitability. With the onset of the Covid-19 pandemic, our programme of risk assessments was replaced with a number of proactive activities designed to support DIFC firms through any uncertainty or difficulties. This included the design and roll-out of leniency measures. On 5 April 2020, we commenced an outbound call campaign to provide a weekly snapshot of how firms in the DIFC were being affected by the pandemic. During the course of this campaign calls were completed with 93% of the Conduct Firms in the DIFC.

In the second half of the year our proactive supervisory work progressed largely through thematic programmes. Building on our work from 2019, we completed a forensic review of all client asset audit reports and provided feedback to firms, and their auditors, where issues were identified. The suitability work that commenced in 2019 was completed. We intend to continue to strengthen our suitability regime and ensure firms extend appropriate protections to clients who rely on them for advice, including discretionary transactions. To this end we will be reporting the observations from the suitability review, together with our expectations in this regard, in early 2021.

Towards the end of the year we also commenced a thematic review of brokerage models, initially through the lens of AML business risk assessments, and a sectorial review of Representative Offices in the DIFC. This work continues on into 2021.

Due to the restrictions placed on us all throughout the year we had to find new ways to deliver our regulatory objectives. We made more use of our online reporting tools and collected and analysed more data in 2020 using firm surveys. We also performed firm risk assessments in virtual format. Whilst changes have been brought on by necessity, many of these have proved to be effective supervisory tools and will be used by us going forward.

Financial crime risk continues to be one of our key regulatory priorities. Supervision commenced two financial crime-related thematic reviews. The first thematic review was a follow-up review of the work done in 2015 in relation to trade finance. The second thematic review looked specifically at Correspondent Banking and Wire Transfers activities in the DIFC. The work included a validation of the Annual AML Return submissions, desk-based analysis and selected remote reviews and analysis of the findings. The report for the 2020 Financial Crime thematic reviews will be published in 2021.

In addition, we continue to enhance our financial crime prevention supervisory programme, which includes: reviewing data and trends from the online annual AML Returns lodged by its Relevant Persons; conducting onsite AML risk assessments of our DNFBP population; and conducting targeted financial crime specific risk assessments of higher impact regulated entities. We have also engaged with on a number of key matters including sanctions compliance.

PRUDENTIAL RISKS

During an unprecedented challenging environment in 2020, we have strived to maintain the stability of the DIFC financial system. As a response to the heightened challenges caused by Covid-19, we re-assessed our key risks, refocused our supervisory strategy and reallocated our regulatory resources. From early 2020, we shifted our focus on sustaining the financial and operational resilience of the Authorised Firms, with particular focus on high impact banking and insurance institutions.

Despite the challenges, DIFC banks maintained the growth path which they have sustained over the years. They managed to continue to provide necessary funding to the local economies in which they conduct their business activities and to continue to support client needs.

Toward the end of the first quarter of 2020, we halted all our on-site supervisory activities, moving fully to desk-based supervision. Our prudential supervisory priorities for the banking sector were realigned to the high-priority areas of liquidity and credit risks. We also focused on ensuring that our banks maintained continuity of their operations in the DIFC, as well as the continuity of services insourced to related parties or outsourced to third party service providers. The frequency of our engagement with our Authorised Firms was increased significantly, as well as the frequency of the regulatory reporting requirements, particularly those in relation to Capital Adequacy, Liquidity, Asset Quality and Operational Continuity. We conducted a series of stress tests, both system-wide and firm-specific, analysing banks' vulnerability to different hypothetical scenarios and shocks, the results of which guided our supervisory focus and actions, as required. Our engagement with our Authorised Firms home regulatory authorities also increased, through frequent bilateral virtual meetings and by participation in supervisory colleges.

At the UAE level, we maintained continuous engagement and coordination with the Central Bank of the UAE (CBUAE), both at macro-prudential level and in relation to banks operating in both jurisdictions. Together with the CBUAE and ADGM's Financial Services Regulatory Authority, we jointly issued guidance for banks in the UAE in relation to IFRS9 Expected Credit Loss provisioning requirements.

During the second half of the year, we continued our close monitoring of specific financial and operational indicators, and gradually relaunched our risk assessment reviews, remotely, focusing on liquidity and credit risks.

While the pandemic provoked the shift of our supervisory focus for the banking sector, we did not ignore other high-priority areas on our agenda. Particular attention continued to be given to cybersecurity and financial crime risks. We continued our work on updating and strengthening our banking supervisory regime in line with international standards, and we worked towards adjusting our supervisory activities by adapting to the new operational environment. We also continued to upgrade our capabilities in dealing with emerging risks including understanding and evaluating the impact of new technologies used in the banking sector, while aiming to provide a balance between fostering innovation in the sector and minimising potential risks financial innovation may pose. We also launched a program to oversee our Authorised Firms plans moving away from certain Inter Bank Offered Rates benchmarks, including LIBOR, to Alternative Reference Rates in order to ensure a smooth transition by end-2021 and to successfully mitigate related risks. With the newly updated DFSA resolution regime coming into force, we started our preparations to work with those entities considered systemically important, either locally or regionally, on developing and strengthening their resolution schemes.

At the onset of the pandemic in 2020, our supervisory focus for the insurance sector (comprising of reinsurers, intermediaries and managing agents) was to closely monitor the impact of Covid-19 and the government mandated restrictions on the level of insurance claims, especially in health and in business interruption. Regular virtual meetings with the insurance entities were key in obtaining timely information on the firm's operational capability and financial capacity to continue servicing the insured and the counterparties, and to identify any systemic risks. Many Authorised Firms were provided with extensions on the submission of their audited financial statements, and for the insurance entities, this included Insurance Monies Auditor's Report and actuarial reports. Where appropriate, the DFSA granted prudential relief measures to allow the firms to operate through the stressed period. While some of the planned onsite risk assessments in the first half of 2020 were deferred to allow firms to concentrate on implementing their business continuity plans. In the second half of 2020 the risk assessments resumed through virtual meetings and remote inspection of files.

The DFSA provided updates on its supervisory response to Covid-19 to the IAIS for its compilation of global database of regulatory responses. Also, in line with the IAIS's focus on coordinated approach towards supervision of internationally active insurance groups, the insurance supervision team continued to participate actively in supervisory colleges and sharing pertinent information with the lead group supervisor as well other supervisory authorities in the group.

Recognising the change in the market dynamics and the trend of hardening reinsurance rates, the DFSA reviewed the role of captive insurance as viable risk management solution in the region. In 2020, the DFSA consulted with the insurance industry and undertook necessary benchmarking exercise against other respected captive jurisdictions to comprehensively review the prudential regime for captive insurers. Wholesale changes to the captive regulation, including simplified capital requirement are expected to be implemented by the first half of 2021 to the benefit of the currently authorised captive insurers in the DIFC and this will likely attract more applicants to the DIFC in the immediate future.

INNOVATION & TECHNOLOGY RISK

Launched in 2017, the DFSA Innovation Testing Licence (ITL) enables firms to test innovative solutions in or from the DIFC in a controlled regulatory environment, without being subject to the full suite of regulatory requirements that apply to Authorised Firms. To date, 105 companies have applied to the Programme, 51 companies have been accepted into the Programme, and three companies have graduated from the Programme. The ITL facilitates engagement and education with the innovative community, assisting firms to develop an understanding of the regulatory environment, and provides the DFSA with valuable insight into building appropriate and proportionate regulatory responses and frameworks.

We offered two cohorts for the ITL Programme in 2020 wherein we received 55 applications and accepted 31 applicants to the Programme. The business models of the accepted applicants included escrow solutions, peer-to-peer payments, pre-paid retail and SME payment cards, cross-border remittances, payday solutions, InsurTech, APIs in credit monitoring, and SME lending platforms.

We issued seven In-Principle ITLs and we approved one Firm, Wethaq (Capital Markets) Ltd. to exit the ITL Programme and begin operating under conventional authorisation status.

In addition to the ITL programme, the DSFA is again participating in the Global Financial Innovation Network's (GFIN) 2020-2021 cross-border trial programme. From October through December, GFIN members accepted applications from a range of firms that were interested in conducting cross-border trials. The DFSA received 16 applications from which it will determine which applicants are appropriate to engage in a cross-order test. The Global Financial Innovation Network (GFIN) is a group of 39 international financial regulators and seven non-regulatory industry bodies, including the DFSA, which seeks to provide efficient ways for innovative firms to engage with regulators across multiple jurisdictions.

In March, we published "Progress Report 2020 – The DFSA's Innovation Programme". The Report provides an overview of the DFSA's supervisory innovation programme; highlights the DFSA's observations and lessons learnt since inception of the ITL Programme; and offers tips for market participants interested in applying for an ITL. The Report can be found here.

In collaboration with the DIFC Authority, we hosted "RegTech Live – Driving compliance through innovation." We held one, two-day event in June and another two-day event in November. Each event was open to the public and the objective was to build awareness of emerging trends in the digitisation of regulatory compliance. Speakers addressed driving efficiency in risk management through automation; the impact of Covid-19 on regulatory compliance; digital transformation in the UAE; and mitigating risks in the payments life cycle. There were also demonstrations from regulatory technology providers who offer sanctions and transaction monitoring, as well as "e-KYC" solutions and behavioural analytics.

Throughout the year, the team engaged in innovation-related dialogue with other regulatory authorities including, the UAE Insurance Authority, the Emirates Securities and Commodities Authority, the Central Bank of the UAE, the Saudi CMA and SAMA, FinTech Saudi, the UK Financial Conduct Authority (FCA), the Australian Securities and Investments Commission (ASIC), the International Monetary Fund (IMF), World Bank, the Regional Government of Bizkaia, SEC Nigeria, and the Central Bank of Ghana.

CYBERSECURITY

Digital transformation within the financial services industry has led to an increase in cyber risk and, as we have noted many times, we are giving more focus to the effective mitigation of cyber risk within DFSA Authorised Firms. Our priorities for this year were to improve cybersecurity awareness in the DIFC, promote sharing of cyber threat information, and support continued development of cyber resilience within Firms in the DIFC. In keeping with those priorities, we completed a number of cyber risk initiatives in 2020.

In January, we launched the DFSA Cyber Threat Intelligence Platform (TIP). TIP is the first regional regulator-hosted digital community information sharing platform. TIP allows community members to post cyber threat information for all other members to see. Where a member identifies information about a specific cyberattack, security incident(s) occurring in their infrastructure, and/or any cyberattack or threat information that it feels may be useful to other community members, the member can upload that information to the platform for all community members to see. The information could include email addresses, IP addresses, domain names, websites and URLs, filenames/file paths, signing certificates, etc. The platform is open to all DIFC registered companies and as of 31 December 2020, 150 companies have registered to use TIP and, on average, 160 new threats per week are available on TIP. DFSA Authorised Firms are encouraged to register for the platform via the DFSA ePortal and DIFC registered companies are encouraged to register for the platform via the DIFC ePortal.

In April, we hosted the first DFSA Cyber Threat Intelligence Workshop. The Workshop was run by HelpAG who gave an introduction on how to use TIP and the threat intelligence available on TIP, provided useful cases on threat intelligence and tips on how to benefit from threat intelligence, explained what intelligence platform members should contribute and how to contribute, and offered integration methods for advanced users.

In June, we published the Cyber Thematic Review Report. The objective of the Review was to identify the overall maturity level of cyber security programmes of Authorised Persons. More specifically, the Review assessed IT/cyber risk governance frameworks, IT/cyber hygiene practices, and resilience (incident preparedness) programmes. The Report highlighted many areas in which cyber risk management should be improved including cyber risk and vulnerability assessments, third-party vendor monitoring, user authentication and data encryption, and incident response stakeholder communication plans. The full report can be viewed here.

We hosted two cyber roundtables in the first and fourth quarters of 2020. The discussions focused on cyber resilience, the impact of third-party vendors on a Firms' resilience, the challenges to successful resilience, and the role of threat intelligence in remaining resilient.

In November 2020, and in collaboration with the DIFC Authority, we hosted the "DFSA Cyber Forum – Remaining resilient in the age of transformation and disruption." The event was open to the public and the objective of the event was to generate awareness of the cyber threat landscape, the impact of innovation and digital transformation, and what institutions should do to protect against and respond to cyber incidents. Experts also discussed the implications of working from home on cyber risk, and how cybercriminals have capitalised on the pandemic. The speakers included representatives from the DFSA, the Dubai Electronic Security Centre (DESC), the Arab Emirates Computer Emergency Response Team (aeCERT), Control Risks, AIG, Microsoft, HSBC, Crowdstrike, MUFG, Help AG, Lockton, and McAfee.

INFRASTRUCTURE & AUDIT

Despite the unprecedent challenges, we have seen an increase in the number of Registered Auditors (RAs) in the DIFC. In the first quarter of 2020, we registered two new RAs bring the total to 17 making the DIFC first Financial Free Zone in the region to register the top 10 global audit firms.

In January 2020, we welcomed the leadership of the International Forum of Independent Audit Regulators (IFIAR), marking the first ever visit by an IFIAR Chair to the DFSA offices. The IFIAR Chair and Executive Director participated in an Outreach event for the DFSA RAs and other stakeholders. In February 2020, we hosted our 11th Annual Outreach event for RAs. The event featured detailed presentations on the recent release of the IFIAR's Inspection Findings Survey, DFSA Audit Monitoring Findings from 2019 and findings from the DFSA's AML inspections. The event also featured an update on the upcoming changes to the International Ethics Board for Professional Accountants (IESBA) Code of Ethics by IESBA's technical advisor. In August 2020, we published our Audit Monitoring Report summarising the results of the DFSA's oversight visits to RAs of Public Listed Companies, Authorised Firms (AFs), Authorised Market Institutions (AMIs) and Domestic Funds conducted over a two-year period and sets out key issues identified during 2018 and 2019.

During the course of the remote working arrangements, we continued to engage the RAs through senior management meetings and targeted roundtables. The team carried out virtual risk assessments of RAs to ensure the financial statements audits carried out in the DIFC are complied with the international standards. In performing these risk assessments, we also focused on how the RAs assessed the risk imposed by Covid-19.

We continued our active contribution to IFIAR and participated in IFIAR Inspection Workshop and IFIAR-led meetings with the global CEOs of the six largest audit networks. We also participated in the Financial Stability Board (FSB)'s virtual roundtable on audit quality. Locally, we worked closely with the UAE Accountants and Auditors Association (AAA) – UAE's national accountancy organisation to enhance the quality assurance framework in the UAE.

The Infrastructure team continued to provide support to various DFSA teams through maintaining the DFSA ePortal, the single point of contact for regulated entities. During the year, we enhanced the content and functionality of the Supervised Firm Contact Form and made a number of changes to Online Forms to comply with the DIFC data protection requirements.

MARKETS

SUPERVISING MARKET INFRASTRUCTURE

In 2020, the DFSA continued its efforts to ensure that market operators and clearing houses operated in accordance with the highest international standards and in compliance with the AMI and AML Modules. Currently, there are two licence holders operating in the DIFC: NASDAQ Dubai and the Dubai Mercantile Exchange. In the course of supervising and monitoring AMIs in the DIFC, the Markets Division:

- engaged with issuers of digital assets and with trading platform operators providing access to blockchain-based transfer facilities;
- 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 liquidity incentive schemes, material change requests to the operations, and rule change requests;
- conducted reviews of new business initiatives, financial soundness and capital adequacy of the AMIs. Changes related to AMI management and controller changes were also reviewed; and
- reviewed and monitored the central securities depository of NASDAQ Dubai.

ISSUER AND MARKET MONITORING INCLUDING SUSPICIOUS TRADE AND ORDER REPORTS (STORS)

On an ongoing basis, the Markets team actively monitors issuers' periodic and ad-hoc disclosures, and engages with issuers when appropriate to ensure adequate and timely disclosure is complied with. In relation to this, price and volume development are monitored to detect potential market abuse by market participants.

Under the DFSA legal framework, Authorised Firms, Recognised Members and Authorised Market Institutions are required to notify and report to the DFSA immediately any suspicion in regards to market abuse. The DFSA STOR assessment process has been standardised and STORs can now be electronically submitted through a portal. Since January 2017, the DFSA has received 374 STORs involving 11,148 transactions across a variety of securities. The STORs relate to 96 different underlying securities originating from 13 different jurisdictions, none of which were listed in the UAE. Further, review of the STORs led to 140 referrals and sharing of STORs with EU regulators. We expect the number of STORs to grow significantly in the coming years as the we further enhance our regime.

OPERATING THE LISTING AUTHORITY

The listing authority has the responsibility of admitting companies to the DFSA Official List of Securities, setting minimum standards for offerings and listings, company disclosures and takeovers and mergers, enforcing these standards and ensuring that they keep pace with international market developments. The Markets Division, as operator of the Listing Authority role; applies a risk-based approach to the review and approval of prospectus documentation and to determine whether applicant companies are eligible for listing. The listing authority conducts a thorough analysis of each new applicant to ensure compliance with key eligibility and prospectus disclosure requirements.

Market conditions for security offerings, and listings of debt securities in particular, were comparatively favourable in 2020. This was evidenced by 2020 being a record year for debt security listings in the DIFC in terms of the number of new listings and amounts raised. As seen in the greater UAE and the Middle East region generally, the environment for successful equity IPOs continues to be challenging. This was exacerbated by the outbreak of the Covid-19 pandemic, indeed, just six IPOs were achieved in the entire GCC[1]. Against this backdrop, no new listings of companies or funds were achieved in 2020 on Nasdaq Dubai.

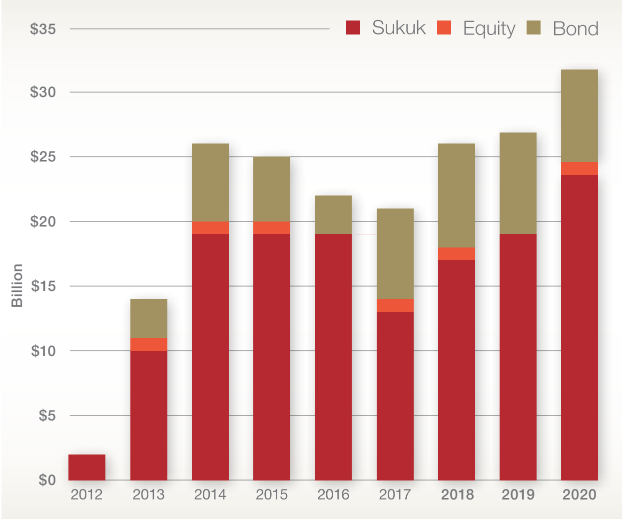
On 1 April 2020, the DFSA introduced a listing regime for Small or Medium Sized Enterprises (SMEs). The listing regime enables SMEs to raise funds through the capital markets by issuing and listing shares in the DIFC. On 27 October 2020, Crown Prince of Dubai, His Highness Hamdan bin Mohammed, launched the Nasdaq Dubai Growth Market to support the growth and expansion of SMEs.

Throughout the course of the year, DFSA was approached by a number of potential applicants and advisers in respect of listing in the DIFC, indicating continued interest in the near future. Such enquiries included potential applicants seeking to list on the new Nasdaq Dubai Growth Market, to issue and list cryptocurrencies and tokenised securities, and to list innovative types of corporate structures.

The Listing Authority processed one equity delisting, DP World PLC, that went private as a result of the successful bid by its parent company, Port and Free Zone World, for the DP World PLC shares traded on Nasdaq Dubai.

As of end of December 2020, a total of 31 debt securities with an outstanding value of USD 19.15 billion were admitted to the DFSA's Official List of Securities and admitted to trading on Nasdaq Dubai during the year. The listing activity comprises a total of 23 Sukuk and eight conventional bonds, valued at USD 14.5 billion and USD 4.65 billion respectively. Please see the charts on the following page for activity of 2020 and previous years.

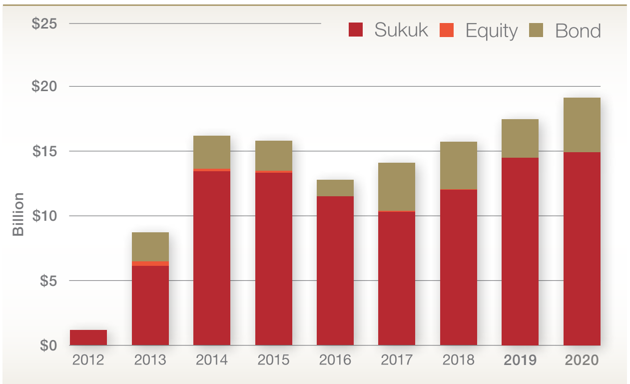
Number of Listing Transaction



Total number of listing transactions in the DIFC

[1] https://www.pwc.com/m1/en/publications/capital-markets-watch.html

Total Offer Value



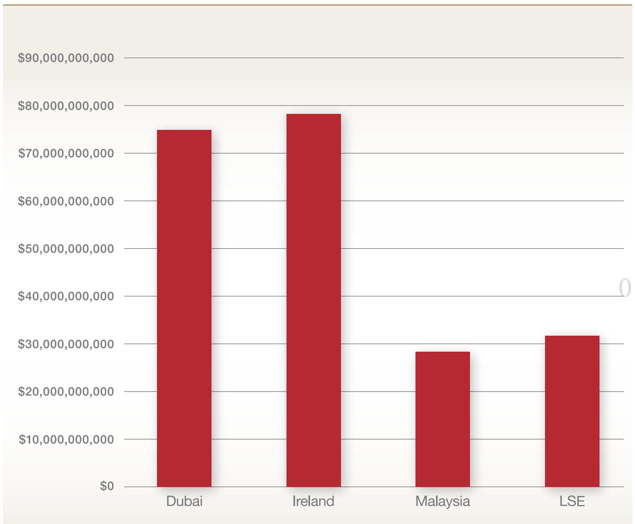
Total offer value of debentures listed in the DIFC

A total of USD 19.15 billion was raised during 2020, compared to USD 17.5 billion in 2019. Please refer to Appendix 5 for securities listed in 2020. This includes a number of listing applications from new issuers from the UAE and Bahrain. During the year, the Listing Authority processed 18 delistings upon maturity, full redemption of the debt securities and consolidation.

ISLAMIC FINANCE

As noted in the above chart, the Listing Authority had approved the admission of USD 14.5 billion of Sukuk to the Official List in 2020. The DIFC continues to be amongst the leading jurisdictions for the issuance of listed Sukuk in terms of market capitalisation (see the following chart - source: Nasdaq Dubai).

Outstanding Offer Value (USD Billion Dollars)



Total market capitalisation of Sukuk listed in relevant jurisdictions

The DFSA continues to contribute towards Islamic finance including sharing experiences and expertise on the development of the Islamic capital market in the DIFC, the approach to regulation, and challenges impacting the Sukuk market, with stakeholders of this industry.

RECOGNITION OF REMOTE PARTICIPANTS IN THE DIFC MARKETS

2020 has been a challenging year for a number of reasons, mainly due to Covid-19 and a delisting of one of the larger companies. Accordingly, there were no requests by firms to obtain membership or to expand their business activities on Nasdaq Dubai or the Dubai Mercantile Exchange. In addition, four firms withdrew their Recognition status and terminated their memberships with Nasdaq Dubai and the Dubai Mercantile Exchange. There were also no new requests by foreign exchanges or clearing houses for Recognition status in the DIFC.

INITIATIVES AND PROJECTS

- Commenced a thematic review to review the trading activities of Authorised Firms in fixed income securities in or from the DIFC. The review involves conducting a survey and obtaining trade data of transactions conducted or arranged by DFSA Authorised Firms for a two-year period. The fixed income securities thematic review is the first review designed to provide the DFSA with detailed trade-by-trade transactional information and will provide the DFSA with a wealth of information regarding the level, type, and selling practices regarding fixed income securities by Authorised firms in or from the DIFC. The thematic review may lead to enhancing the DFSA's supervision of the trading activities of Authorised Firms and providing the market stakeholders with transparency around trading activities in fixed income securities;
- In support of the DFSA's wider digitisation strategy and to ensure that the Markets Division conducts its regulatory mission and operations in the most efficient and effective manner, Markets has embarked on a division-wide digitisation project to digitalise, automate, and enhance its critical review processes and interactions with stakeholders. The digitisation project will also allow the DFSA to run reports, obtain pertinent and important information, conduct in-depth analysis of its activities and the activities of its regulated entities as needed and in a timely fashion.
- A key channel for investor and practitioner education and issuer guidance are the Markets Briefs published on the DFSA website. This information is designed to help investors, practitioners and issuers interpret our rules. In 2020, the Markets Division published the following Markets Briefs:

- MB19 – Update on Covid-19
  Markets Brief No. 19 was published in March 2020 as an update on Coronavirus (Covid-19) for Reporting Entities and their advisors. The purpose of the markets brief was to remind Reporting Entities of their ongoing obligations in light of the Covid-19 pandemic. The markets brief highlighted the DFSA's expectations for Reporting Entities to make market disclosures of any Covid-19 impact on the Reporting Entity's financial position, business or operations.

- MB20 – DFSA SME Listing Regime
  Markets Brief No. 20 was published in April 2020 at the time of the introduction of the DFSA listing regime for Small or Medium Sized Enterprises (SMEs). The purpose of the Markets Brief was to inform applicant SMEs as well as their advisers about the requirements and procedures for achieving a listing as an SME, the differences between the requirements applicable to non-SMEs and SMEs and the role of the compliance adviser to an SME.

- MB21 – Insider Lists for Reporting Entities
  Markets Brief No. 21 was published in September 2020 and discusses the DFSA's expectations regarding insider lists that may be drawn up and maintained by Reporting Entities as part of their systems and controls relating to Inside Information. The brief discusses who insiders are, what is meant by an insider list, what Inside Information is, the types of insider, the purpose of an insider list, who is or are usually responsible for drawing up and maintaining insider lists, the content of the list, as well as the duties of insiders.

- MB22 – LIBOR Transition of DIFC Issued Debentures
  Markets Brief No. 22 was published in September 2020 to provide guidance to the issuers and Reporting Entities of debt securities on prospectus disclosure requirements and continuing obligations relating to the transition from LLIBOR.

In April 2020, a DFSA regulatory regime came into force enabling Small or Medium Sized Enterprises (SMEs) to raise capital by doing an IPO and listing their shares on an AMI in the DIFC. This new SME listing regime is administered by Markets, both as Listing Authority for the primary market as well as ongoing. The new regulation aims to impose proportionate requirements on SMEs, while at the same time providing adequate levels of investor protection. A key element of the regime is the requirement for a compliance adviser to assist the SME both as applicant in achieving the listing and once listed, for at least three years, to assist the SME in being in compliance with its ongoing regulatory requirements.

- Markets continues to review its regulation on environment, social and governance (ESG) investing following the publication of a Markets Brief on Green Bonds in 2018. In conjunction with the DFSA SPR team, an initiative is underway to consider new regulation for green, social and sustainability financial instruments.

LOCAL AND INTERNATIONAL COLLABORATION

- The Markets Division continues to engage the DIFC capital markets industry in an ongoing dialogue in regards to evolving best practices and standards. In particular, on fixed income market structure, Islamic finance and derivatives we have consulted with numerous key market stakeholders.
- Markets' staff continued their efforts to strengthen the DFSA's relationship with fellow regional regulators and bodies like the Union of Arab Securities Authorities (UASA), the Emirates Securities & Commodities Authority (SCA), and conducted or participated in several conferences and roundtables on the market developments for Islamic finance, commodity derivatives and regional market venues.
- The Division also continued to seek feedback from law firms and arrangers in relation to the process of handling conventional and debenture transactions and continued its investor education through outreach and collaborative efforts with stakeholders - the public at large, peer regulators, industry bodies and standard-setters. This resulted in two presentations in public forums and publications across the UAE and the GCC, as well as relevant Islamic finance jurisdictions, on a variety of capital markets-related topics. In particular, the Division also engaged with brokers and dealers in the DIFC to raise awareness of the obligation to report market abuse to the DIFC.
- Staff of the Division represent the DFSA on the IOSCO Committee on Regulation of Secondary Markets (Committee 2) and Derivatives (Committee 7). Committee 2 is concerned with setting international standards for the operation of financial market infrastructures and Committee 7 for derivatives markets. Markets staff are also members of an IOSCO review team that is conducting a thematic review on the business continuity plans with respect to intermediaries and trading venues in 33 jurisdictions. The thematic review is in the final stages of completion and will be published in 2021.

ENFORCEMENT

1. MATTERS AT THE INVESTIGATIVE STAGE

The Enforcement Division finalised the investigative stage for ten matters in 2020 and had five matters still in the investigative stage as at the end of 2020, including a number of complex matters.

The matters investigated by the Enforcement Division in 2020 involved a range of suspected misconduct by firms and individuals, including:

- Unlicensed financial services activities;
- The provision of false and misleading information to the DFSA and to investors;
- Misleading and deceptive conduct;
- Corporate governance failures;
- Systems and controls failures;
- Continuous disclosure breaches; and
- Breaches of DFSA Principles for Authorised Firms and Authorised Individuals.

2. 2020 ENFORCEMENT OUTCOMES

In 2020, the DFSA took the following Enforcement actions:

- **Morgan Gatsby Limited (MGL) and Mr Ajay Arora**

The DFSA fined MGL approximately USD 246,000 (approximately AED 900,000), for:

- illegally promoting an unregulated Foreign Fund;
- making unauthorised transactions on behalf of two Clients and engaging in misleading and deceptive conduct in regard to those transactions;
- failing to comply with certain restrictions on business and dealing with property imposed by the DFSA;
- failing to properly classify a Client, and conduct the requisite inquiries into a Client's source of funds and rationale for entering into transactions;
- failing to comply with DFSA Rules relating to the safe custody of Client Assets; and,
- failing to ensure that its Board of Directors was provided with accurate information.

The DFSA also fined MGL's Senior Executive Officer (SEO), Mr Ajay Arora, USD 87,500 (approximately AED 321,000), prohibited him from holding office or being an employee of a regulated DIFC firm, and restricted him from performing any function in connection with the provision of Financial Services in or from the DIFC. Mr Arora executed the transactions referred to in the paragraph above for the two Clients. He was also knowingly concerned in MGL's breaches of DFSA legislation.

- **La Tresorerie Ltd**

The DFSA fined La Tresorerie Ltd, a DFSA Authorised Firm, USD 612,790 (approximately AED 2,250,800). The fine included USD 261,154 (approximately AED 960,000) for the disgorgement of the financial benefit plus interest which the firm received from engaging in the misconduct, and a financial penalty of USD 351,636 (AED 1,290,504.12).

The DFSA took the action against La Tresorerie Ltd due to multiple, serious breaches of DFSA legislation, mainly arising from the firm's operation of an illegal service that

provided physical cash to its clients. The cash service:

- involved the use of false invoices and transferring Client Money to unregulated companies outside of the DIFC;
- involved the transportation of large amounts of physical cash from the UAE to a foreign country, which is associated with a high risk of money laundering;
- led to the firm misleading its Custodian and a bank about the nature and purpose of certain transactions, when Anti-Money Laundering due diligence enquiries were made; and,
- demonstrated a fundamental failure of the firm to conduct its business with integrity.

- **Enness Limited**

The DFSA fined Enness Limited, a DIFC Representative Office, USD 105,000 (approximately AED 386,000) for engaging in unauthorised activity outside the scope of its Representative Office DFSA Licence. A Representative Office is only permitted to carry out a narrow set of activities in the DIFC. Enness Limited was permitted to market mortgage services offered by its head office based in the United Kingdom.

The DFSA's investigation found that, between November 2017 and January 2019, Enness Limited arranged mortgages for its clients and provided mortgage advice to its clients. In doing so, Enness Limited acted outside the scope of its Representative Office Licence, in breach of DFSA legislation.

3. CONFIRMATION BY THE FINANCIAL MARKETS TRIBUNAL (FMT) OF ENFORCEMENT OUTCOMES

- **Mubashir Sheikh**

On 18 July 2019, the DFSA imposed sanctions on Dr Mubasher Sheikh. Dr Sheikh was the Chairman, SEO and the majority beneficial owner of MAS Clearsight Ltd (MAS), a former DFSA Authorised Firm which has been in liquidation since November 2015. He deceptively withdrew money from MAS's bank accounts, which caused MAS to breach the DFSA's Prudential Rules and misreport its financial position to the DFSA. The DFSA found that Dr Sheikh was dishonest and failed to act with integrity.

Dr Sheikh referred the DFSA's decision to the FMT. Following a five-day hearing in April 2020, the FMT issued its decision on 20 October 2020. The FMT upheld the DFSA's findings and found that Dr Sheikh demonstrated a lack of integrity, provided false, misleading or deceptive information to the DFSA, and caused MAS to breach the DFSA's Prudential Rules. The FMT imposed on Dr Sheikh a:

- Fine of USD 225,000;
- Direction that Dr Sheikh pay restitution of at least USD 644,836 to MAS, representing the cash he had deceptively withdrawn plus interest;
- Prohibition from holding office in, or being an employee of, certain DFSA-regulated entities; and,
- Restriction from performing any function in connection with the provision of Financial Services in or from the DIFC.

- **Al Masah**

On 25 September 2019, the DFSA issued Decision Notices to the following firms and individuals for unauthorised financial services activities and making misleading and deceptive statements:

- Al Masah Capital Limited (AMC), a Cayman Islands registered company now in liquidation;
- Al Masah Capital Management Limited (AMCML), a DFSA Authorised Firm also now in liquidation;
- Mr Shailesh Dash;
- Mr Nrupaditya Singhdeo; and
- Mr Don Lim Jung Chiat.

The firms and the individuals referred the DFSA's decisions to the FMT. Following an eight-day hearing, the FMT issued its decision on 27 October 2020 in which it upheld the DFSA's decisions.

The FMT fined:

- AMC USD 3,000,000 (approximately AED 11,010,000);
- AMCML USD 1,500,000 (approximately AED 5,505,000);
- Mr Dash USD 225,000 (approximately AED 825,750);
- Mr Singhdeo USD 175,000 (approximately AED 642,250); and
- Mr Lim USD 150,000 (approximately AED 550,500).

The FMT fines are the same as those imposed by the DFSA on 25 September 2019, except for the fine for Mr Singhdeo which the FMT increased by USD 25,000. This was because the FMT saw Mr Singhdeo's responsibility for the misconduct as greater than that reflected in the fine imposed by the DFSA.

The FMT also upheld the DFSA's decision to prohibit all three individuals, and concluded that they are not fit and proper to perform any function in connection with Financial Services in or from the DIFC.

The case involved complicated structures in which investors bought shares in companies that then bought shares in other businesses. However, the FMT agreed with the DFSA that these arrangements were investments in Funds. The FMT took the view that these Funds were managed by AMC, the Cayman registered entity, from within the DIFC when it was not authorised to do so.

The FMT found that the two companies and three individuals had concealed from potential investors the payment of placement fees to AMC. In particular, annual reports and audited financial statements had been altered to remove the full extent of fees that had been paid. The FMT noted that the misrepresentation of fees was intentional and deceptive, and that the altered documents were used as marketing materials to persuade potential investors to invest. Therefore, any misleading statement in the altered documents would be a breach of the prohibition on misleading and deceptive conduct.

The FMT found that the three individuals were knowingly involved in the contraventions committed by AMC and AMCML. The FMT also found that Mr Dash and Mr Singhdeo breached their obligations as Authorised Individuals.

Further, the FMT found that Mr Singhdeo and Mr Lim were knowingly involved in altering a copy of a bank statement to conceal placement fees and that the forgery was intended to mislead or deceive.

4. COMPLAINTS MANAGEMENT

Complaints continued to be an important source of intelligence for the DFSA. The DFSA received 98 complaints in 2020. This represented a slight decrease to the number received in 2019, which was 103.

83% of complaints were assessed and finalised by the DFSA within 28 days of receipt. In the remaining 17%, further enquiries and assessment were required to finalise the complaint.

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

5. SCAMS

The DFSA issued an Alert on 5 April 2020 warning members of the public about an increase in scams since the onset of Covid-19 pandemic. The DFSA received a total of 26 complaints about scams, and issued 10 consumer alerts in 2020. 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.

An example of such a scam, which circulated mainly in the Kingdom of Saudi Arabia, was perpetrated by a fraudulent company called Gulf One. Gulf One fraudulently used the DFSA's name and legitimate switchboard number, and also falsely claimed to be located in DIFC, in order to add legitimacy to the scam. On 22 July 2020, the DFSA published an Alert concerning this scam.

6. LOCAL AND INTERNATIONAL COLLABORATION

Enforcement continued to work together with both regional and international regulators on investigations and enforcement activities, and to make strong contributions to international standard-setting bodies.
In 2020, Enforcement:

- participated in the meetings of the Screening Group and Committee 4 (Enforcement and Cooperation) of the IOSCO. Enforcement also collaborated with a number of IOSCO members by obtaining information for, and sharing information with, them;
- collaborated on enforcement activities with local regulators; namely, the Emirates Securities and Commodities Authority (the SCA), the Central Bank of the UAE, the Dubai Police and the Financial Services Regulatory Authority of the Abu Dhabi Global Market; and
- participated in outreach sessions in the DIFC.

INTERNATIONAL RELATIONS

REGULATORY COOPERATION

The raison d'etre for International Relations in the DFSA has, from the beginning, been to establish and build a level of confidence and trust among regulators that fosters mutual cooperation and the sharing of information. Our goal has been to maintain that level of confidence and trust. This is essential for effective oversight of the DIFC's international firms; in fact, of any firm engaged in cross-border activity. The DFSA's discrete international function has also enabled 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 in 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 has been responsible for negotiating and finalising these MoUs. At the end of 2020, the DFSA had signed a total number of 108 bi-lateral MoUs and six multi-lateral MoUs.

Given the pandemic and the absence of meetings which usually facilitate the initiation and eventual signing of such agreements, there were no MoUs signed in 2020. However, discussions were commenced and progress made with counterparts from Brunei, India, Israel, and Italy, which should bear fruit in 2021.

In November, the DFSA hosted its fourth annual MENAT Supervisory College for HSBC, with the UK PRA, as the global lead of HSBC, acting as co-host. Supervisors from the Central Bank of the UAE attended and were joined by representatives from the Central Banks of Bahrain, Egypt, Kuwait, Morocco, Oman and Saudi Arabia and the BRSA of Turkey. The Capital Markets Authority of Saudi Arabia and ADGM also participated. As the supervisor of subsidiaries and branches of other banks and insurers with international links, the DFSA participated in a significant number of Supervisory Colleges, hosted remotely by the relevant home supervisor. In 2020, the DFSA participated in supervisory colleges for seven banks and four insurance groups. Given the pandemic, more meetings were held than in the past, all but two of the 23 meetings were conducted virtually. Another consequence of Covid-19 was that 11 members of our Supervision Department were able to participate.

During the year, some 81 responses were provided by the DFSA to requests for regulatory information and assistance from fellow regulators. During the same period, the DFSA made some 109 requests to fellow regulators for information.

HIGH LEVEL ENGAGEMENT

During 2020, International Relations oversaw the continued engagement of the DFSA Chairman with his peers. Having, in previous years, travelled and met the Chairs of central banks and other regulators of banks and firms with a presence in the DIFC, our Chairman was able to call fellow Chairs of the UK Financial Conduct Authority (FCA), the US SEC and CFTC, FINMA of Switzerland, MAS (Singapore), the AMF of France, the Board of IOSCO, the Supervisory Board of the ECB, the European Banking Authority, and ESMA; the Director General of the CSSF, Luxembourg, as well as some of the Group Chairs and Group CEOs of the global banks that have branches in the DIFC. Similarly, the DFSA's Chief Executive had calls with his counterparts in the region and from other emerging markets regulators through common membership of IOSCO committees. As Co-Chair of the Basel Consultative Group and an Observer on the Basel Committee, our Chief Executive met with senior banking supervisors from most of the leading markets.

REGIONAL RELATIONS

The DFSA's relationship with its counterparts in the GCC and the Middle East remains a key priority. The Chief Executive continues to meet with his federal counterparts, the Governor of the Central Bank of the UAE and the Chief Executive of SCA, and the Director General of the UAE Insurance Authority. Periodic and case-specific meetings and joint initiatives at an operational officer level also continue to take place with all three regulators.

Another major joint initiative from 2019 which continued throughout 2020 was the UAE's FATF Mutual Evaluation, culminating in the publication of a Mutual Evaluation Report mid-year. The DFSA continues to work intensively with the Central Bank of the UAE, Financial Intelligence Department (FID) and other Federal Authorities. Our COO, Waleed Al Awadhi, continues to participate in the critical work of the Higher Committee for UAE Mutual Evaluation and the UAE National Anti-Money Laundering and Combatting Terrorist Financing Committee (NAMLCFTC) while representatives from our Supervision and SPR teams represent the DFSA on a number of sub-committees. The DFSA also continues to engage with the FID to obtain from and share information with the NAMLCFTC.

As the lead supervisor for HBME, the DFSA's links with the central banks who substantively oversee the activities of the bank and its associated banks in their own jurisdictions are critical. To that end, the MoUs in place with the central banks of the UAE, Saudi Arabia, Bahrain, Morocco, Egypt, Oman and the banking supervisor in Turkey facilitate effective oversight in this respect.

AMERC (IOSCO's Africa and Middle East Regional Committee) is one of the four regional committees established by IOSCO. Its 20 members canvass and discuss critical issues for the wider region for consideration and implementation by the Board.

HUMAN RESOURCES

The Division includes the functions of talent acquisition, development and reward management. Human Resources includes all of 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 Bawabaty Professional Pathway.

Human Resources (HR) undertook a number of initiatives in 2020 focusing on the welfare of its workforce. These were as a result of the global pandemic. Protocols were introduced for the health and welfare of staff safeguarding their return to office working and supporting their mental health. An Employee Assistance Programme was introduced, alongside a PCR Testing facility and regular well-being calls for all our staff from the HR Team. The Division ran a number of surveys to understand employees needs during the pandemic.

The Division updated its policies to align with the DIFC Data Protection Law (DIFC Law No. 5 of 2020) and the DIFC Employment Law Amendment Law (DIFC Law No. 4 of 2020) and initiated new practices to become an employer of choice. This included new policies with regard to remote working, business casual attire and reward. Employee Records also received attention to ensure they were accurate in compliance with the new Data Protection Law.

In addition to updating HR policies, HR processes for Talent and Learning were streamlined. HR renewed the DFSA's life insurance and engaged a new health care provider achieving a significant cost reduction for equivalent coverage. An overall assessment of the labour market, as well as conducting its annual salary benchmark, resulted in an overhaul of the organisation's compensation model to be launched in 2021.

Our Talent Acquisition slowed in 2020 due to limited hiring. Operational efforts were redirected into employee relations and employee well-being. Regrettably, the TRL Programme was postponed until 2021 when we will be better able to welcome our new UAE National graduates.

There continued to be a talent focus on future leadership as the Executive Committee completed its 2020 Succession Planning guided by HR. Training was largely delivered through webinars this year with a reduction in this type of development due to budgetary constraints resulting from the pandemic situation. On-job development continued as employees had the opportunity to undertake new workstreams that had arisen as a consequence of the crisis. As we move into 2021 a new competency framework has been adopted and is to be integrated with development and performance management processes to support talent management in the future.

OPERATIONS

The Operations division oversees the DFSA's operational initiatives and includes the IT, Corporate Affairs, Corporate Communications, Finance, Strategic Operations and Administration departments. The division is responsible for digital transformation and improving processes and efficiency throughout the DFSA by utilising innovative technologies. The division seeks opportunities to align the DFSA with the vision of the UAE's leadership drives the DFSA's commitment to relevant governmental initiatives, such as SMART Dubai, the National Innovation Strategy, and the Dubai Cyber Security Strategy.

CORPORATE AFFAIRS

The Department built on its relationships with local and international media to promote the DFSA's strategic initiatives and news through interviews, thought leadership pieces and executive profiles in prominent publications. The Department also continued to collaborate closely with key government stakeholders, including the Dubai Media Office. The Corporate Affairs Department continued to align the DFSA's communications and key messaging with the vision and relevant strategies of UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed Bin Rashid Al Maktoum and the UAE Government and other DIFC bodies. The team led and implemented a number of internal and external CSR initiatives. The team issued 25 media releases, seven notices of consultation paper release over the year and produced eight publications.

PROJECTS AND PLANNING

Projects and Planning have been engaged in the monitoring of the DFSA's 2020 Business Plan and the development of the 2021/2022 Business Plan. The team continues to deliver a variety of projects across the organisation, as well coordinating the DFSA's operational response to the Covid-19 pandemic from an organisational resilience and continuity perspective. 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

During 2020, the IT Department was primarily focused on ensuring that all remote working capabilities and demands were catered for due to the Covid-19 pandemic.

Staff were able to seamlessly continue to work remotely without any service interruptions. All operational and regulatory applications have been designed for this level of adaptability and have proven to work under various scenarios, whether it be in office, home or internationally. The current infrastructure has shown great scalability and flexibility allowing teams / departments and / or the entire organisation to shift their operations to either fully remote or partially on premises.

During the year IT has implemented a number of structural changes, which has led to a more optimised and efficient IT operating model to one that is more structured and business friendly. This ensured that IT resources can operate with greater flexibility by allowing senior management to take more pro-active decisions for business as usual items.

Working remotely gave opportunity to improve, enhance and automate processes and here we have implemented a fully secure and automated payment system for the Finance department. A new and improved website was launched taking advantage of cloud technology to support the site and the accompanying chatbot (RIA - Regulatory Information Assistant) was also deployed to cater for more generic queries.

FINANCE

The DFSA controlled its expenditure within the approved budget in 2020. In the course of the year, there were numerous changes required to the budget as a result of global economic impact of the Covid-19 pandemic. The DFSA maintained its accounting records during 2020, and prepared its annual financial statements for the year. The financial statements were assessed as being presented fairly, and in accordance with International Public Sector Accounting Standards for 2019. A thorough review of the Operational Authority Matrix was conducted in 2020 with all changes were approved by the Audit Committee. The Finance Department continues to review and strengthen the internal financial control framework within the DFSA to ensure all financial risks are addressed. The project to move all DFSA payments to an online platform was completed in early 2020 which ensured there was no disruption to payments while staff worked remotely. The Finance Department continued to strengthen its relationship with the Department of Finance over the course of the year.

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. The offices refit project was successfully implemented keeping in mind staff well-being. All the necessary precautionary protocols with respect to Covid-19, as advised by the relevant Authorities, were implemented before reopening the offices to ensure the health and safety of staff.
All 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.

Appendices

APPENDIX 1

APPENDIX 2

APPENDIX 3

APPENDIX 4

APPENDIX 5

APPENDIX 6

APPENDIX 7

Dubai Financial Services Authority

Independent auditor's report Board of Dubai Financial Services Authority

Report on the audit of the financial statements

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 2020, 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 2020;
- 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 significant accounting policies and other explanatory information.

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 DFSA in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 and will 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
24 February 2021

Dubai Financial Services Authority
Statement of financial position

		As at 31 december	
		2020	2019
	Note	AED'000	AED'000
Assets			
Non-current assets			
Property and equipment	5	4,741	5,171
Intangible assets	6	2,719	4,082
		7,460	9,253
Current assets			
Other receivables	7	23,261	21,415
Cash and cash equivalents	8	154,996	178,289
		178,257	199,704
Total assets		185,717	208,957
Equity and liabilities			
Equity			
Contributed capital and reserves			
Contributed capital		5,755	5,755
Reserve of the DFSA	2.11	103,434	100,000
Employees' end of service benefit scheme cumulative actuarial loss.	9	(3,102)	(2,707)
Net equity		106,087	103,048
Liabilities			
Current liabilities			
Fee income received in advance	2.10	59,759	64,764
Amounts due to Government	11	-	15,851
Creditors, accruals and other liabilities	10	17,974	24,029
Defined benefit plan net liabilities	9	1,897	1,265
		79,630	105,909
Total liabilities		79,630	105,909
Total equity and liabilities		185,717	208,957

These financial statements on pages from 59 to 75 were approved for issue by the Board of Directors on 24 February 2021.

Signed on behalf of the DFSA Board

The notes set out on pages 63 to 75 form an integral part of these financial statements

Dubai Financial Services Authority
Statement of financial performance
(Year ended 31 December)

	Note	2020 AED'000	2019 AED'000
Appropriations from Government Fee income	2.10, 4	76,528	117,420
Fee income	2.10	81,220	74,011
Other income	12	5,775	3,991
Total income		163,523	195,422
General and administration costs	13	(148,649)	(163,693)
Board of Directors' costs	15	(9,176)	(14,363)
Financial Markets Tribunal costs		(2,264)	(1,515)
Total expenses		(160,089)	(179,571)
Excess of income over expenditure		3,434	15,851

The notes set out on pages 63 to 75 form an integral part of these financial statements

Dubai Financial Services Authority
Statement of Changes in Equity

	Contribution capital	Reserve of the DFSA	Employees' end of service benefit scheme cumulative actuarial loss	Accumulated surplus	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2019	5,755	100,000	(756)	-	104,999
Excess of income over expenditure	-	-	-	15,851	15,851
Transfer to Amounts due to Government (Note 2.11)	-	-	-	(15,851)	(15,851)
Remeasurement of net defined benefit asset (Note 9)	-	-	(1,951)	-	(1,951)
At 31 December 2019	5,755	100,000	(2,707)	-	103,048
Excess of income over expenditure	-	-	-	3,434	3,434
Transfer to Reserve of the DFSA (Note 2.11)	-	3,434	-	(3,434)	-
Remeasurement of net defined benefit asset (Note 9)	-	-	(395)	-	(395)
At 31 December 2020	5,755	103,434	(3,102)	-	106,087

The notes set out on pages 63 to 75 form an integral part of these financial statements

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

		2020	2019
	Notes	AED'000	AED'000
Operating activities			
Excess of income over expenditure		3,434	15,851
Adjustments for the following items:			
Depreciation	5	1,719	1,441
Amortisation	6	1,581	1,867
Loss on disposal/write off of property and equipment		-	9
Provision for end of service benefits	14	4,238	4,223
Interest received	12	(2,628)	(3,517)
Other non-cash transactions		237	(58)
Operating cash flows before payment of amount payable to Government and changes in working capital		8,581	19,816
Amount paid to Government of Dubai		(15,851)	(34,328)
Changes in working capital			
Contributions made for the end of service benefits	9	(4,238)	(4,223)
Other receivables, net of interest		(1,523)	(1,521)
Fee income received in advance		(5,005)	16,369
Creditors, accruals and other liabilities		(6,055)	(542)
Net cash flows used in operating activities		(24,091)	(4,429)
Cash flows from investing activities			
Purchase of property and equipment	5	(1,289)	(2,794)
Purchase of intangible assets	6	(218)	(726)
Interest received		2,305	3,633
Net cash generated from investing activities		798	113
Net decrease in cash and cash equivalents		(23,293)	(4,316)
Cash and cash equivalents, beginning of the year	8	178,289	182,605
Cash and cash equivalents, end of the year	8	154,996	178,289

The notes set out on pages 63 to 75 form an integral part of these financial statements

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020)

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.

These financial statements were approved for issue by the Board of Directors of the DFSA on 24 February 2021.

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 2020.

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

a) New and amended standards adopted by DFSA

There are no IPSAS' or amendments that are effective that would be expected to have a material impact on DFSA' s financial statements.

b) New standards and amendments issued but not effective

Following are the standards effective for the financial year beginning on or after 1 January 2020 and not material to the DFSA:

- IPSAS 28 Financial Instruments: Presentation (effective I January 2022);
- IPSAS 29 Financial Instruments: Recognition and Measurement (effective I January 2022);
- IPSAS 30 Financial Instruments: Disclosures (effective I January 2022);
- IPSAS 41 Financial Instruments (effective I January 2022); and
- IPSAS 42 Social Benefits (effective 1 January 2022).

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.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – continued)

2 Significant accounting policies (continued)

2.3 Foreign currency translation (continued)

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.

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
Furniture and fittings	7
Office Equipment	5
Computer Equipment	5
Motor vehicles	3

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

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

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying amount of the assets disposed of and are considered 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 DFSA 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).

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – continued)

2 Significant accounting policies (continued)

2.6 Impairment (continued)

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

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

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

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 from non-exchange transactions

a) Funds received from and remitted to the Government

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

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

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

b) Fines levied

Fine income received in connection with breaches of regulations in the DIFC is to be included in the Statement of Financial Performance in the year in which the income is received. Should this result in a surplus for the year, this surplus will be transferred to Reserve of the DFSA following approval of the Financial Statements by the Board.

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020 – Continued)

2 Significant accounting policies (continued)

Revenue from exchange transactions

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. 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 DFSA's activities, as described below.

a) 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.

b) 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 Reserve of the DFSA

The Reserve of the DFSA is available to meet contingencies arising from the discharge of the DFSA's regulatory responsibilities. This reserve could be called upon to cover exceptional levels of expenditure in excess of revenues in a particular financial year.

On 7 January 2020, HH Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai approved the Regulatory Amendment Law (DIFC Law No 2 of 2020) which amended Regulatory Law No 1 of 2004 by inserting a new Article on General Reserve.

The changes provide that the DFSA shall maintain a general cash reserve equal to two times its annual expenditure and that the DFSA may apply any income, penalty or surplus towards meeting the general cash reserve. The amounts distributed from this Reserve are at the discretion of the Board of Directors. The surplus/deficit for the year is appropriated to the Reserve of the DFSA on an annual basis. The Directors do not consider the Reserve of the DFSA to be distributable.

In prior years it was agreed with the Government of Dubai that the level of this reserve would be maintained at AED 100 million and any amounts in excess of that level would be transferred to the Government of Dubai following the approval of the audited Financial Statements by the Board.

2.12 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 DIFC Employment Law No. 2 of 2019, 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. 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 recognised as an expense in the period to which they relate.

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – Continued)

2 Significant accounting policies (continued)

2.13 Leases

Where DFSA is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to DFSA, 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 noncancelable 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.

2.14 Financial instruments

Financial assets, including cash and cash equivalents (Note 8), other receivables (Note 7) and financial liabilities including creditors, accruals and other liabilities (Note 10) 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 DFSA transfers substantially all risks and rewards of ownership.

2.15 Segment reporting

DFSA'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 DFSA believes segment reporting is not meaningful to the users of these financial statements. Accordingly, DFSA 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of these risks on the DFSA's financial performance. DFSA management seeks to avoid risks by not engaging in transactions with foreign suppliers. DFSA doesn't have agreements with floating interest rates and closely monitors monetary balances.

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

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020 – Continued)

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.

DFSA does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant.

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 and bank balances.

The DFSA seeks to reduce the credit risk by monitoring existing outstanding debtor's balances. Bank deposits are limited to high-credit-quality financial institutions and bank ratings are reviewed on an annual basis. DFSA places deposits in different banks to avoid the concentration of risk. Management does not expect any losses from non-performance by these counterparties.

3.2 Fair value estimation

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

4 Key judgement 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 judgements, 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:

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, DFSA 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, DFSA has used yields on high-quality US corporate bonds (FTSE Above Median Double-A Curve) based on market conditions as at 31 December 2020. 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. DFSA changed the discount rate, salary escalation rate and withdrawal rate assumptions (Note 9).

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – Continued)

5 Property and equipment	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipments	Motor vehicles	Capital work in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost							
At 1 January 2019	15,327	4,795	640	12,899	-	-	33,661
Additions	-	307	99	1,215	343	830	2,794
Disposals	-	(62)	(79)	(1,280)	-	-	(1,421)
At 31 December 2019	15,327	5,040	660	12,834	343	830	35,034
Additions	-	1,019	124	146	-	-	1,289
Transfer	-	830	-			(830)	-
Disposals	-	-	(105)	-	-	-	(105)
At 31 December 2020	15,327	6,889	679	12,980	343	-	36,218
Accumulated depreciation							
At 1 January 2019	14,763	4,525	621	9,925	-	-	29,834
Charge for the year	93	87	13	1,238	10	-	1,441
Disposals	-	(61)	(79)	(1,272)	-	-	(1,412)
At 31 December 2019	14,856	4,551	555	9,891	10	-	29,863
Charge for the year	93	193	45	1,274	114	-	1,719
Disposals	-	-	(105)	-	-	-	(105)
At 31 December 2020	14,949	4,744	495	11,165	124	-	31,477
Net book value							
At 31 December 2020	378	2,145	184	1,815	219	-	4,741
At 31 December 2019	471	489	105	2,943	333	830	5,171

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – continued)

6 Intangible assets

	Software	Capital work in progress	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2019	26,754	382	27,136
Additions	239	487	726
Transfer from capital work in progress	556	(556)	-
At 31 December 2019	27,549	313	27,862
Additions	218	-	218
Transfer from capital work in progress	313	(313)	-
At 31 December 2020	28,080	-	28,080
Accumulated depreciation			
At 1 January 2019	21,913	-	21,913
Charge for the year (Note 14)	1,867	-	1,867
At 31 December 2019	23,780	-	23,780
Charge for the year (Note 14)	1,581	-	1,581
At 31 December 2020	25,361	-	25,361
Net book amounts			
At 31 December 2020	2,719	-	2,719
At 31 December 2019	3,769	313	4,082

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – Continued)

7 Other receivables		
	2020	2019
	AED'000	AED'000
Prepayments	19,670	18,311
Staff advances	13	88
Other financial receivables	3,578	3,016
Total	23,261	21,415

8 Cash and cash equivalents		
	2020	2019
	AED'000	AED'000
Fixed deposits accounts	100,000	116,700
Current accounts	54,965	61,571
Cash on hand	31	18
Cash and cash equivalents	154,996	178,289

All bank balances are held with A3 Moody's rated bank licensed in the UAE. The interest rates on fixed deposit accounts were in the range of 0.10% to 2.60% p.a. for the year ended 31 December 2020 (2019: 1.86% to 3.91%).

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020 – Continued)

9 Employees end of service benefits

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

	2020	2019
	AED'000	AED'000
Current service cost	3,875	3,485
	3,875	3,485

	2020	2019
	AED'000	AED'000
Present value of defined benefit obligations	(32,118)	(33,090)
Fair value of plan assets	30,221	31,825
Net defined benefit liability	(1,897)	(1,265)

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

	2020	2019
	AED'000	AED'000
Obligation at beginning of the year	(33,090)	(28,027)
Current service costs	(3,875)	(3,485)
Interest cost	(842)	(1,016)
Actuarial losses obligation	(395)	(1,951)
Benefits paid from plan	6,084	1,389
Obligation at end of the year	32,118	(33,090)

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

	2020	2019
	AED'000	AED'000
Fair value of plan assets at the beginning of the year	31,825	28,656
Employer contribution	4,302	4,223
Expected return on plan assets	479	462
Actuarial losses	(301)	(127)
Benefits paid from plan	(6,084)	(1,389)
Fair value of plan assets at end of the year	30,221	31,825

Plan assets are comprised of cash at bank for 100% (2019: 100%).

The significant actuarial assumptions in calculating the defined benefit obligation are estimates of the long-term salary growth rate of 3% for 2020, 0% for 2021 and 3% thereafter (2019: 1.75% and 3% thereafter), the discount rate representing the time value of money of 1.5% (2019: 2.75%) and the rate of withdrawal of employees from the scheme of 10% (2019: 10%).

9 Employees end of service benefits (continued)

The sensitivity of the defined benefit obligation to changes in these assumptions (on the basis that the other assumptions remain the same) is:

	Estimate	Change in assumption	Increase / (Decrease) in defined benefit obligation AED '000
Salary growth rate	3% for 2020, 0% for 2021 and 3% thereafter	+1%/-1%	2,331/(1,818)
Discount rate	1.5%	+1%/-1%	(2,096)/2,380
Withdrawal rate	10%	+5%/-5%	1,646/(1,037)

10 Creditors, accruals and other liabilities

	2020	2019
	AED'000	AED'000
Trade creditors	1,551	1,890
Employee related accruals	11,415	16,301
Other accruals	5,008	5,838
Total	17,974	24,029

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 are as follows:

Related party transactions	2020	2019
	AED'000	AED'000
Appropriations from Government	76,528	117,420
	76,528	117,420

	2020	2019
	AED'000	AED'000
Salaries and performance bonus	14,231	13,696
Other emoluments and benefits	5,209	5,394
	19,440	19,090

Refer to Note 15 for details of the Board of Directors' costs.

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020 – continued)

12 Other income

	2020	2019
	AED'000	AED'000
Interest on fixed deposits	2,703	3,517
Fines levied	3,072	-
Other income	-	474
	5,775	3,991

The fines resulted from contraventions of the DFSA' s rules. These fines were imposed following the conclusion of investigations conducted by DFSA staff.

13 General and administration costs

	2020	2019
	AED'000	AED'000
Staff costs (Note 14)	121,442	130,635
Office rent	8,304	7,619
Software licensing and maintenance	3,994	4,558
Communication and IT systems and equipment maintenance	3,458	3,171
Legal, consultancy and professional fees	2,841	4,119
Depreciation	1,719	1,441
Amortisation	1,581	1,867
Recruitment costs	1,095	1,446
Marketing expenses	924	1,424
Regulatory travel, conferences, seminars and training	395	4,447
Vehicle lease and maintenance	103	155
Loss on sale of fixed assets	-	9
Other expenses	2,793	2,802
	148,649	163,693

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – Continued)

14 Staff costs

	2020	2019
	AED'000	AED'000
Salaries	70,006	68,963
Other benefits	47,198	57,449
Employees' end of service benefits	4,238	4,223
	121,442	130,635

15 Board of Directors' costs

	2020	2019
	AED'000	AED'000
Retainer fees	5,261	5,644
Attendance fees	1,512	2,731
Travel	394	2,513
Other	2,009	3,475
	9,176	14,363

16 Operating lease commitments

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

	2020	2019
	AED'000	AED'000
Expiring within one year	7,764	7,619
Later than 1 year and no later than 5 years	32,798	-
	40,562	7,619

Dubai Financial Services Authority
Notes to the Financial Statements

(for the year ended 31 December 2020 – continued)
Statement of Financial Position (presented in USD) (unaudited)

	Note	2020 USD'000	2019 USD'000
ASSETS			
Non-current assets			
Property and equipment	5	1,292	1,409
Intangible assets	6	741	1,112
		2,033	2,521
Current assets			
Other receivables	7	6,338	5,835
Cash and cash equivalents	8	42,233	48,581
Defined benefit plan net assets	9	-	-
		48,571	54,415
Total assets		50,604	56,937

EQUITY AND LIABILITIES			
EQUITY			
Contributed capital and reserves			
Contributed capital		1,568	1,568
Reserve of the DFSA	2.11	28,184	27,248
Employees' end of service benefit scheme cumulative actuarial loss	9	(845)	(738)
Net equity		28,907	28,078

LIABILITIES			
Current liabilities			
Fee income received in advance	2.10	16,283	17,647
Amounts due to Government	11	-	4,319
Creditors, accruals and other liabilities	10	4,898	6,548
Defined benefit plan net liabilities	9	516	345
		21,697	28,859
Total liabilities		21,697	28.859
Total equity and liabilities		50,604	56,937

Dubai Financial Services Authority
Notes to the Financial Statements

(for the year ended 31 December 2020 – Continued)
Statement of Financial Performance (presented in USD) (unaudited)

		2020	2019
	Note	USD'000	USD'000
Appropriations from Government Fee income	2.10, 4	20,852	31,995
Fee income	2.10	22,131	20,166
Other income		1,574	1,087
Total income		44,557	53,248
General and administration costs	13	(40,504)	(44,602)
Board of Directors' costs	15	(2,500)	(3,914)
Financial Markets Tribunal costs		(617)	(413)
Total expenses		(43,621)	(48,929)
Excess of income over expenditure		936	4,319

Dubai Financial Services Authority Notes to the Financial Statements

(for the year ended 31 December 2020 – continued) Statement of changes in equity (presented in USD) (unaudited)

	Contribution capital	Reserve of the DFSA	Employees' end of service benefit scheme cumulative actuarial gain/(loss)	Accumulated surplus	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2019	1,568	27,248	(206)	-	28,610
Excess of income over expenditure for the year	-	-	-	4,319	4,202
Transfer to Government	-	-	-	(4,319)	(4,202)
Remeasurement of net employees' end of service benefit obligation (Note 9)	-	-	(532)	-	(532)
At 31 December 2019	1,568	27,248	(738)	-	28,078
Excess of income over expenditure for the year	-	-	-	936	936
Transfer to Reserve of the DFSA		936	-	(936)	-
Remeasurement of net employees' end of service benefit obligation (Note 9)	-	-	(107)	-	(107)
At 31 December 2020	1,568	28,184	(845)	-	28,907

Dubai Financial Services Authority
Notes to the Financial Statements
(for the year ended 31 December 2020 – Continued)
Statement of Cash Flows (presented in USD) (unaudited)

		2020	2019
	Note	USD'000	USD'000
Operating activities			
Excess of income over expenditure		936	4,319
Adjustments for the following items:			
Depreciation	5	468	393
Amortisation	6	431	509
Loss on disposal/write off of property and equipment		-	2
Provision for end of service benefits	14	1,155	1,151
Interest received	12	(716)	(958)
Other non-cash transactions		65	(18)
Operating cash flows before payment of amount payable to Government and changes in working capital		2,339	5,398
Amount paid to Government of Dubai		(4,319)	(9,354)
Changes in working capital			
Contributions made for the end of service benefits	9	(1,155)	(1,151)
Other receivables, net of interest		(415)	(414)
Fee income received in advance		(1,364)	4,462
Creditors, accruals and other liabilities		(1,650)	(147)
Net cash flows used in operating activities		(6,564)	(1,206)
Cash flows from investing activities			
Purchase of property and equipment	5	(351)	(761)
Purchase of intangible assets	6	(61)	(198)
Interest received		628	990
Net cash generated from investing activities		216	31
Net decrease in cash and cash equivalents		(6,348)	(1,175)
Cash and cash equivalents at 1 January	8	48,581	49,756
Cash and cash equivalents at 31 December	8	42,233	48,581

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 2020 and 31 December 2019 by the Board and Senior Officers of the DFSA

Remuneration of the chairman and non-executive board members:

Remuneration bands	2020 Board members	2019 Board members
$50,001 to $100,000	2	0
$100,001 to $200,000	7	5
$200,001 to $250,000	0	4
>$250,001	1	1
	2020 (USD)	2019 (USD)
The aggregate amount of remuneration of non-Executive members of the Board shown above.	1,911,060	2,258,929

Notes:

(1) Remuneration is pro-rated based on actual duration of service during the year. Total Board member at the end of 31 December 2020 was 9. One Board Member retired as at 30th June 2020 and was replaced by a new member on the 1st of July 2020.

(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 of USD 60,593 was paid for the period January to March 2020. Board retainer fees during 2020 were USD 1,257,866 (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) Annual committee membership fee paid during 2020 was USD 7192 per member (committee Chairman fee was USD 14,383). 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.

(6) All of the amounts above are exclusive of VAT. The DFSA pays VAT on Board Remuneration to Board Members but as the DFSA is a Designated Government Body it can reclaim the VAT it pays from the Federal Tax Authority.

Remuneration of the chief executive and senior officers:

Remuneration bands	2020 Executives	2019 Executives
USD'000	USD'000	USD'000
Up to $300,000	-	-
$300,001 to $500,000	4	2
$500,001 to $900,000	4	5
>$900,000	1	1
	9	8
	2020 (USD)	2019 (USD)
The aggregate amount of remuneration of Executives shown above:	5,297,041	5,201,675

Executive remuneration included in the above comprised:

	2020 (USD)	2019 (USD)
Salaries and performance bonuses	3,877,648	3,731,862
Other emoluments and benefits	1,419,394	1,469,813

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 2020.

AUTHORISED FIRMS LICENSED IN 2020

FIRM NAME
A
Africa Re Underwriting Agency Limited
Africap Middle East Limited
Allanite Capital Limited
American Landmark Capital (DIFC) Limited
Atlas Wealth Management (DIFC) Limited
B
BAG Securities LLC
BCS Capital (DIFC) Limited
BMCE Bank International Plc
Bambucorn Ltd
BlueGold Capital Asset Management Limited
Branford Capital Limited
Brookfield Private Capital (DIFC) Limited
C
CaixaBank, S.A.
Compagnie d'Investissements et de Gestion Privée (Hong Kong) Limited
D
DGF Investment Bank Limited
Decimal Factor Middle East Ltd
DoubleLine Middle East Limited
E
Eastdil Secured International Ltd
Ebury Partners UK Limited
Emaar Reinsurance Limited
Embassy Capital Limited
F
FTI Capital Advisors (DIFC) Limited
Funding Souq Limited
G
GMG Trust Ltd
Gazprombank (Switzerland) Ltd
I
Interpay Limited
J
JM Financial Overseas Holdings Private Limited
Jawa Investments (DIFC) Limited
K
Kane LPI Solutions Limited
L
Leonteq (Middle East) Ltd
Lootah Global Capital Limited
M
MEX Australia PTY Ltd
MSM Investment Advisors (DIFC) Limited
MYRA SHS Renewables Limited
Manoj Reinsurance Brokers Ltd.
Mclevin & Neilson Wealth Management Limited
Millennium Capital (DIFC) Limited
Mitsubishi UFJ Asset Management (UK) Ltd.
N
Nuwa Capital Limited
O
Oxford Bridge Capital Limited
P
Pearl Advisory Asset Management Limited
Pepperstone Financial Services (DIFC) Limited
S
Samba Financial Group
Soor Capital Management (DIFC) Limited
Stake Properties Limited
StashAway Management (DIFC) Limited
T
Tata Asset Management Limited
Tellimer International Limited
Tera Europe Limited
The MECO Group DIFC Ltd
Threestones Capital (MEA) Ltd
U
UTI International (Singapore) Private Limited
W
Wethaq (Capital Markets) Ltd.
Y
YVC MEA LTD
Z
Zurich Workplace Solutions (Middle East) Limited

Refer to the DFSA website for full public register for a full list of Authorised Firms.

DESIGNATED NON-FINANCIAL BUSINESSES OR PROFESSIONS REGISTERED IN 2020

FIRM NAME
Akin Gump Strauss Hauer & Feld LLP
EY Law LLP
Hunton Andrews Kurth Ltd.
M-HQ Corporate Services Ltd
Ocorian Corporate Services (DIFC) Limited

Refer to the DFSA website for full public register of all Designated Non-Financial Businesses or Professions.

REGISTERED AUDITORS IN 2020

FIRM NAME
Baker Tilly MKM Chartered Accountants
UHY James Chartered Accountants

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

New Listings in 2020

Issuer	Security	Listing venue	Amount raised (USD)
China Construction Bank Corporation (HKG Branch)	Debentures	Nasdaq Dubai	700,000,000
China Construction Bank Corporation (HKG Branch)	Debentures	Nasdaq Dubai	500,000,000
Commercial Bank of Dubai B.S.C	Debentures	Nasdaq Dubai	600,000,000
DAE Sukuk (DIFC) Ltd.	Debentures	Nasdaq Dubai	479,721,000
DAE Sukuk (DIFC) Ltd.	Debentures	Nasdaq Dubai	270,279,000
Dar Al Arkan Sukuk Company Ltd.	Debentures	Nasdaq Dubai	400,000,000
DIB Sukuk Limited	Debentures	Nasdaq Dubai	1,000,000,000
DIB Sukuk Limited	Debentures	Nasdaq Dubai	300,000,000
DIB Tier 1 Sukuk (4) Ltd	Debentures	Nasdaq Dubai	1,000,000,000
DP World Salaam	Debentures	Nasdaq Dubai	1,500,000,000
EI Sukuk Company Ltd	Debentures	Nasdaq Dubai	500,000,000
Emirates NBD Bank PJSC	Debentures	Nasdaq Dubai	500,000,000
Emirates NBD Bank PJSC	Debentures	Nasdaq Dubai	750,000,000
GFH Sukuk Company Limited	Debentures	Nasdaq Dubai	300,000,000
GFH Sukuk Company Limited	Debentures	Nasdaq Dubai	200,000,000
Government of the Emirate of Sharjah	Debentures	Nasdaq Dubai	719,623,000
Government of the Emirate of Sharjah	Debentures	Nasdaq Dubai	280,377,000
ICD Funding Limited	Debentures	Nasdaq Dubai	600,000,000
ICDPS Sukuk Limited	Debentures	Nasdaq Dubai	600,000,000
IDB Trust Services Limited	Debentures	Nasdaq Dubai	2,000,000,000
IDB Trust Services Limited	Debentures	Nasdaq Dubai	1,500,000,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	97,192,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	652,808,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	185,355,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	814,645,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	103,896,000
Perusahaan Penerbit SBSN Indonesia III	Debentures	Nasdaq Dubai	646,104,000
Sharjah Sukuk Programme Limited	Debentures	Nasdaq Dubai	200,000,000
Sharjah Sukuk Programme Limited	Debentures	Nasdaq Dubai	1,000,000,000
Sharjah Sukuk Programme Limited	Debentures	Nasdaq Dubai	250,000,000
SIB Sukuk Company III Limited	Debentures	Nasdaq Dubai	500,000,000

Refer to the DFSA website for all Listings.

DFSA Administered Law and Rule Amendments in 2020

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

- Notice of Amendments dated 13 January 2020 announced Rulemaking Instruments No. 260 – 265 which made amendments to the DFSA rulebook relating to the introduction of Employee Money Purchase Schemes in the DIFC.
- Notice of Amendments dated 5 March 2020 announced Rulemaking instruments No. 266 – 277 which made amendments to the DFSA's Money Services regime, introduced an SME Listing regime, and made a number of miscellaneous amendments to the DFSA Rulebook.
- Notice of Amendments dated 28 October 2020 announced Rulemaking Instruments No. 278 – 282 which made amendments to the DFSA Rulebook relating to venture capital funds.
- Notice of Amendments dated 23 December 2020 announced Rulemaking Instruments No. 288 – 292 which made miscellaneous amendments to the DFSA Rulebook.

The Board of Directors also recommended for enactment by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Ruler of Dubai:

- the Regulatory Law Amendment Law, DIFC Law No. 2 of 2020, which came into force on 16 February 2020. The law made amendments to the DFSA's General Reserve requirements and regarding publication of decisions referred to the FMT; and
- the Regulatory Law Amendment Law, DIFC Law No. 3 of 2020, which came into force on 14 January 2020. The law made amendments relating to the introduction of Employee Money Purchase Schemes in the DIFC.

MODULES OF THE DFSA SOURCEBOOK

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

- The AFN module was updated on three occasions in 2020.
- The RPP module was updated once in 2020.

GLOSSARY

GLOSSARY	
A	
aeCERT	Arab Emirates Computer Emergency Response Team
ADGM	Abu Dhabi Global Market
AF	Authorised Firm
AFIR	Asian Forum of Insurance Regulators
AFM	Authority for the Financial Markets
AFSA	Astana Financial Services Authority
AMERC	Africa and Middle East Regional Committee
AMF	Autorité des Marchés Financiers
AMI	Authorised Market Institution
AML	Anti-Money Laundering
AMLSCU	Anti-Money Laundering Suspicious Cases Unit (now referred to as the Financial Intelligence Unit of the UAE Central Bank)
AOT	Amsterdam Option Traders
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
CFTC	Commodity Futures Trading Commission
CIR	Collective Investment Rules
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
COO	Chief Operating Officer
CP	Consultation Paper
CRA	Credit Rating Agency
CSSF	Commission de Surveillance du Secteur Financie
CTF	Counter-Terrorist Financing
D	
DESC	Dubai Electronic Security Centre
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DIFCA	Dubai International Financial Centre Authority
DMC	Decision-Making Committee
DME	Dubai Mercantile Exchange
DNFBP	Designated Non-Financial Business or Profession
E	
EBA	European Banking Authority
ECB	European Central Bank
ESMA	European Securities and Markets Authority
ESCA	Emirates Securities & Commodities Authority
ESG	Environmental, Social and Corporate Governance
EU	European Union
F	
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FINMA	Financial Market Supervisory Authority
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
GEM	Growth and Emerging Markets Committee
GFIN	GFIN Global Financial Innovation Network
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
IC	Investment Company
ICPs	Insurance Core Principles

IESBA	International Ethics Board for Professional Accountants
IFIAR	International Forum of Independent Audit Regulators
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IPSAS	International Public Sector Accounting Standards
ITL	Innovation Testing Licence
K	
KSA	Kingdom of Saudi Arabia
L	
LegCo	Legislative Committee
LIBOR	London Inter-Bank Offered Rate
M	
MAS	Monetary Authority of Singapore
MENA	Middle East and North Africa
MER	Mutual Evaluation Report
MESA	Middle East Studies Association
MMF	Money Market Fund
MMoU	Multi-lateral Memorandum of Understanding
MoU	Memorandum of Understanding
N	
NAMLCFTC	National Anti-Money Laundering and Combatting Terrorist Financing Committee
R	
RiskCo	Risk Commitee
S	
SME	Small Medium Enterprise
T	
TRL	Tomorrow's Regulatory Leaders Programme
U	
UASA	Union of Arab Securities Authorities
US SEC	US Securities and Exchange

Dubai Financial
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FOR GENERAL ENQUIRIES

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