



By Email

20 June 2023

To Senior Executive Officers of DFSA Authorised Firms.

Arranging Activities Vs Referrals

The purpose of this letter is to provide clarification to Authorised Firms about the activities that the DFSA considers to be Arranging and those it considers to be Referrals. The DFSA is issuing this letter as the DFSA Supervision Teams have recently dealt with a number of Authorised Firms that believe one of the activities they have been engaging in was the referral of business. However, having analysed the activities and related documentation, it is apparent to the DFSA that these activities instead constitute Arranging. The Authorised Firms, believing that they were referring only, do not have the permission to Arrange for these products. This issue has arisen in respect of Arranging Long-Term Insurance contracts however it is applicable across all financial instruments.

The two activities are described below.

Arranging Activities

“Arranging Deals in Investments” is defined in GEN 2.9.1 as making arrangements with a view to another Person buying, selling, subscribing for or underwriting an investment, including arrangements which do not bring about the transaction and arrangements comprising or involving the receipt and transmission of Client orders in relation to Investments. Whether a person is “arranging” depends on the activities they carry out.

Activities are likely to constitute arranging if they “facilitate” or “bring about” transactions (Guidance Note 1 to GEN Rule 2.9.1). This covers a wide range of activities and the inclusive list in Guidance Note 2 to GEN Rule 2.9.1 lists example activities that may constitute arranging: introductions; assisting parties with processes including completing of applications; negotiating and settling terms of contracts; collection and processing of payments; transmission of instructions; and confirmation of transactions.

Referrals

Therefore, from the above, to qualify as a “referral” and not be considered as Arranging under GEN 2.9.1, an Authorised Firm is **limited to making a mere introduction**. In practice, this means either (i) providing the customer with the contact details or limited



information about a broker or third-party financial services provider; or (ii) providing the broker or third-party financial services provider with the contact details of the customer, in both cases without taking any further steps or involvement with the parties beyond this.

Next Steps

Authorised Firms must ensure that their activities remain within the scope of their regulatory permissions. Where Authorised Firms have been engaged in an activity they previously believed to be referral of business, they should assess this activity against the activities of Arranging and Referral above. If, following this analysis, the activity is re-classified as Arranging, and the Authorised Firm does not have the permission to Arrange in respect of a particular product or products, it should cease to engage in that activity until it:

1. has updated its processes limiting the activity to Referrals (as described above); and/or
2. has applied for, and been granted, a variation of scope to include the activity of Arranging in respect of the particular product(s).

If you have any questions in relation to this letter, please contact us using the DFSA Supervised Firm Contact Form found on the [DFSA ePortal](#).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Justin Baldacchino', is written over a light blue rectangular background.

Justin Baldacchino
Managing Director, Supervision