

Setting up in the DIFC

CCL has been operating in the Middle East since 2006. Our consultants are hands-on industry practitioners with a wealth of knowledge achieved through compliance roles, both in regulated firms and their regulators. At CCL, we strive to understand your business as well as the regulations it must comply with, to provide you with optimal regulatory solutions.

To date, CCL has assisted over 100 firms with their DFSA authorisation. Below is an overview of the DIFC regulatory environment, DFSA authorisation and how CCL can assist you with the licensing process as well as providing on-going advice and support.

Dubai International Financial Centre (DIFC)

The DIFC is a Financial Free Zone within the UAE with its own civil and commercial laws as well as its own financial services regulator, the Dubai Financial Services Authority (DFSA).

Any firm establishing in the DIFC can have 100% foreign ownership and is subject to a civil, commercial and regulatory environment similar to that established in the United Kingdom.

What type of firms need to be regulated by the DFSA?

Any firm providing a financial service from a permanent place of business in the DIFC must be regulated by the DFSA. This includes, but is not limited to, Banks, Brokers and Dealers, Asset Managers, Corporate Financiers, Wealth Managers, Insurers and Insurance Intermediaries, etc.

The type of business you wish to conduct and the licensed activities you wish to undertake will define the category of Licence you will require. Broadly, a firm undertaking low risk activities such as advising or arranging will require a Category 4 Licence; a discretionary asset manager will require a Category 3C Licence; an agency broker or entity dealing on a matched principal basis will require a Category 3A Licence; a principle dealer or credit provider, a Category 2 Licence; and a deposit taker a Category 1 Licence. The category of licence will determine the amount of capital required. The minimum capital requirement for a Category 4 firm is \$10,000. This

rises to \$500,000 for a Category 3 firm, \$2 million for a Category 2 firm and \$10m for a Category 1 firm. Discreet licencing requirements apply to fund managers of Qualified Investment Funds (QIFs) who can benefit from reduced capital requirements and other regulatory exemptions, as well as lower costs of incorporation. Capital waivers may be available to the DIFC branch of a regulated financial institution having its head office in a recognised regulatory jurisdiction.

FinTech Hive participants with products or services that require regulatory supervision will require an Innovation Testing Licence (ITL) approved by the DFSA in order to develop and test their ideas under a restricted licence, subject only to the regulations appropriate during the testing phase. Participants that show they can meet the requirements for authorisation, will be able to migrate from an ITL to a full regulatory licence.

Firms wishing to undertake only marketing and referral activities without providing any financial service may establish a Representative Office. Such firms will not have clients in the regulatory sense and will therefore benefit from a 'light touch' regulatory approach commensurate with this more limited scope of business.

The DFSA operates a Professional-Retail Client regime similar to that under MiFID and, whilst the DIFC is mainly a Professionals market, a retail endorsement is available to firms wishing to undertake retail business.

Are there any restrictions in doing business from this jurisdiction?

DIFC banks cannot take deposits from UAE markets outside the DIFC and DIFC insurers cannot insure any risk in the UAE outside the DIFC other than under a contract of reinsurance.

The DFSA licence permits a firm to provide financial services in or from the DIFC. Note however that there are no passporting arrangements within the 6 countries of the GCC and a firm must therefore look at the regulatory requirements of each jurisdiction in which it intends to undertake business.

What is the process for becoming regulated by the DFSA?

Prior to applying to the DFSA for a licence, firms must meet with the business development team at the DIFC and the authorisation team at the DFSA. The DIFC and DFSA need to understand the business you propose to undertake to ensure it meets their statutory objectives. Following these meetings, the applicant must submit a letter of intent to the DIFC together with a draft of its Regulatory Business Plan (RBP). The RBP will be the cornerstone of the application and the DFSA will wish to review the proposed final draft before giving the go ahead for the submission of the complete application. The complete application will comprise the RBP and all the supporting documentation that will enable the DFSA to assess whether the applicant is fit and proper, and has the necessary expertise and resources, to carry on the proposed business and whether it has developed appropriate governance, risk and compliance arrangements, so that it is capable of meeting DFSA and DIFC requirements on a continuing basis.

Are there any individual mandatory appointments or qualifications required?

All DFSA authorised firms are required to appoint a Senior Executive Officer, a Compliance Officer and Money Laundering Reporting Officer. All of these must be UAE-resident but a waiver from this requirement may be available in certain cases. The firm must also appoint a Finance Officer and, if the entity is established in the DIFC as a company (as opposed to a branch), at least two Directors. These individuals do not need to be resident in the UAE.

There are no mandatory qualifications for any of these positions but the DFSA will take these individuals' experience and qualifications into account when assessing their fitness and propriety.

How long will the process take?

The DFSA aims to determine an application for authorisation within 3 months of submission, depending on the nature, scale and complexity of the business, the degree of risk involved in its operations and the background of its managers and controllers. Some Category 4 Firms and QIF manager applicants may also be eligible for the fast track route which CCL can advise you on. CCL has a long and successful record of DFSA licensing applications and has assisted over 100 firms in this process to date. We will co-ordinate and project-manage the entire application from start to finish, give you clear guidance, and keep you up to date with each stage of the process. CCL will also help manage the applicant's relationship with the DFSA and DIFC Authority by attending all meetings and overseeing all correspondence.

What are the basic DFSA/DIFC fees associated with such an application and an on-going business?

DFSA application fees and annual fees typically range from \$4,000 to \$100,000, depending on the permission being applied for. The DIFC incorporation fee is \$8,000 and the DIFC Commercial License costs \$12,000, renewable annually, however the Centre offers reductions and incentives to QIF Managers and ITL participants. We can inform you of the fees and costs applicable to your specific licencing requirements.

How can CCL help?

CCL will partner with your firm, guiding you through the entire application process. We will oversee every element of the application and provide you with all the Compliance policies, procedures, systems and controls needed to meet the DFSA's requirements. Our documentation will not only get you through the authorisation process but also provide you with a firm compliance foundation for your business to grow from.

Post authorisation, our highly experienced consultants can provide on-going compliance advice, training on specific governance, risk and compliance issues, undertake independent monitoring reviews and even act as your Compliance Officer and/or Money Laundering Reporting Officer on an outsourced basis.

For a more in depth discussion regarding your requirements please contact one of our Authorisation specialists:

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