

Regulatory Update

Middle East, May 2023

Issued 9th June 2023



Table of Contents

1. DIFC AND DFSA LATEST DEVELOPMENTS	3
1.1. DIFC Enacts New Regulations and Amends Regulations	3
1.2. DFSA Amends Rulebooks.....	3
1.3. DFSA Issues 'Dear SEO' letter on LIBOR	4
1.4. DSFA 'Call for Evidence' – Crowdfunding Regime.....	4
1.5. DFSA Hosts Annual Outreach Session 2023.....	5
1.6. DIFC Launches Metaverse Accelerator Programme	6
1.7. DIFC Data Protection Office Consults on AI Amendments.....	6
1.8. DIFC Hosts Dubai's FinTech Summit	7
1.9. DIFC Signs MoU with Dubai Chambers Supporting Family Businesses.....	7
1.10. DFSA Issues Clarification Statement	7
1.11. DIFC Holds Wealth and Asset Management Seminar	7
1.12. DIFC Offers UAE Corporate Tax Diploma Programme.....	7
2. ADGM AND FSRA LATEST DEVELOPMENTS	8
2.1. ADGM Expands Territory	8
2.2. FSRA Enhances Framework for Private Credit Funds	8
2.3. FSRA Issues Alert on Funds Fraudulent Claims	9
2.4. ADGM Issues Money Laundering and Terrorist Financing Risk Assessment Report.....	9
3. MIDDLE EAST REGULATORY UPDATES	10
3.1. MENA FATF Upgrades UAE Ratings	10
3.2. UAE Holds Summit on Combating Money Laundering and Terrorist Financing.....	10
3.3. UAE EOCN Holds Industry Summit	10
3.4. SAMA Holds Consultation for Regulating BNPL Companies.....	10
3.5. SAMA Announces Registration for the Investment Immersion Programme.....	11
3.6. CMA Holds Risk Management Workshop	11
4. INTERNATIONAL UPDATES	11
4.1. G7 Release Statements on Cyber and Proliferation.....	11
4.2. FATF holds Private Sector Consultative Forum	12
4.3. Update to the Sanctions List.....	12
5. ENFORCEMENT ACTIONS	12
5.1. Bahrain Enforces Verdict to Return Laundered Funds to Kuwait.....	12
5.2. UAE Bank Imposes Sanctions on Eight Lenders	12
ABOUT WAYSTONE COMPLIANCE SOLUTIONS	13

1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1. DIFC Enacts New Regulations and Amends Regulations

The Dubai International Financial Centre's ('DIFC') Authority ('DIFCA') has enacted the Venture Studio Regulations 2023, supporting the DIFC launchpad initiative. The regulations provide a legislative framework for venture studios clarifying the establishment requirements, expectations for conducting business, and associated fees. In addition, the regulations will facilitate ease of business within the venture studio model enabling new and scaling companies within the DIFC.

The DIFC has issued minor amendments to the Prescribed Companies Regulations 2023. The amendment updates the definition of 'Family' to align with the DIFC Family Arrangement Regulations.

The regulations are enforceable now.

You can read more details [here](#).

You can read the DIFC Venture Studio Regulations [here](#) and the Prescribed Companies Regulations [here](#).

1.2. DFSA Amends Rulebooks

On 11 May, the Dubai Financial Services Authority ('DFSA') amended numerous rulebooks following feedback from Consultation Paper No.148 'Regulation of Family Offices'.

The following rulebooks have been updated with immediate effect:

- General ('GEN') rulebook:
 - Providing the DIFC Registrars authority to issue licenses for family offices under the Family Arrangement Regulations.

- Glossary ('GLO') module to update:
 - 'Designated Non-Financial Business or Professionals ('DNFBP')' to align the definition to the Anti-Money Laundering ('AML') rulebooks
 - 'Family Fiduciary Structure' has been updated to read 'Family Structure' and has been updated to align with the Family Arrangement Regulations
 - 'Family', 'Family Arrangement', 'Family Office' and 'Family Office Services' have been added to align with the definition provided in the Family Arrangement Regulations
 - 'Family Member' has been removed as a defined term.

- Conduct Of Business ('COB') rulebook to update:
 - 'Deemed Professional' to include a holder of a licence family licence following the family arrangement legislation.

- AML rulebook to update:
 - 'Customer' and 'DNFBP' to remove the reference to single-family offices
 - 'Single Family Office' and 'Single Family' have been removed as a defined term.

You can read more details [here](#).

You can read the amendments in full [here](#).

1.3. DFSA Issues 'Dear SEO' letter on LIBOR

On 15 May, the DFSA issued a 'Dear Senior Executive Officer ('SEO')' letter on the cessation of the USD London Inter-Bank Offered Rate ('LIBOR') panel. Firms are advised to move away from LIBOR and Inter-Bank Offered Rates ('IBOR') by 30 June 2023 and instead apply the Alternative Reference Rates ('ARR') prior to the ICE Benchmark Administration ('IBA') publication of the synthetic USD LIBOR. The synthetic USD LIBOR will be applied for 1 month, 3 month and 6-month rates until 30 September 2024. Any delays (foreseen or otherwise) must be reported to the DFSA immediately.

Firms are reminded to be operationally ready for the change including updating contractual reference to IBOR rates.

The Financial Stability Board has issued a statement on the transition providing details and tools to help facilitate a smooth transition.

You can read the full letter [here](#).

The FSB statement can be read [here](#).

1.4. DSFA 'Call for Evidence' – Crowdfunding Regime

On 24 May, the DFSA issued a 'Call for Evidence' to collate feedback on the current crowdfunding regime and its efficiency. The DFSA currently regulates a limited option of crowdfunding types, namely loan, investment and property crowdfunding, due to the immaturity of the sector in 2017 when the regime was introduced. However, since the market has organically matured, the DFSA seeks opinions on its effectiveness, challenges and unexpected consequences of the regime.

Firms are requested to comment on the current regimes:

- retail limits
- rewards and incentives
- conflicts of interest management
- financial promotions
- transfer facilities
- tokenisation.

Further comments are also requested regarding:

- investment crowdfunding and experience in market growth
- loan crowdfunding and Islamic offerings
- property crowdfunding and residential, off-plan and commercial properties, as well as refurbishment activities with the intention of a short sale and the restrictions of financial services.

You can read more details [here](#).

You can read the full Call for Evidence [here](#). Comments are welcomed by 24 July 2023 [here](#).

1.5. DFSA Hosts its Annual Outreach Session 2023

On 31 May, the DFSA held their annual outreach event, which was attended by the Senior Executive Officers, Compliance Officers, and Money Laundering Reporting Officers ('MLRO') of DFSA regulated firms and the Chief Executive Officers and Partners of DIFC consultant firms. The sessions were held in person and attendance was limited to one representative per firm.

Following the welcome remarks, the morning session covered several topics which were delivered by the DFSA's executive team, topics included:

- supervision key messages
- policy update
- enforcement update
- update on financial crime.

The DFSA shared their key areas of focus such as:

- crypto regime
- private banking including suitability assessments and client onboarding
- inherent risks of the DNFBP sector
- financial crime prevention and testing firms' business and customer risk assessment
- targeted financial sanctions, including transaction monitoring and suspicious activity reports.

The areas above are amongst others highlighted by the DFSA during the morning session.

The DFSA confirmed that future thematic reviews will be released, requiring the participation of firms in the areas of disclosures and financial promotions, client complaint handling, and liquidity risk.

A summary of the upcoming policy projects was shared and includes:

- AML/ combatting financing of terrorism ('CFT') rules updates
- Updates to Prudential – Investment, Insurance Intermediation and Banking ('PIB') Module in line with Basel III requirements
- Client assets
- Crypto assets part 2
- Funds review including updates to the DIFC funds regime
- Preparations for financial sector assessment progress review
- Regulatory requirements for lower risk firms part 2 – for fund/asset managers, custodians etc.

An enforcement update was delivered which included the key investigation priorities for this year, which are:

- AML/CFT system and control failings
- Client assets
- Misleading investors
- Misleading the DFSA or obstructing investigations
- Unauthorised activity.

The afternoon sessions were held in the form of break out group sessions and covered the following key topics, included is a summary of some of the items discussed during the sessions:

- Break out group 1 - Authorisations
 - increased digitalisation will see the introduction of one form for all authorisation applications
 - the application process was outlined, with hints, tips and key feedback shared.
- Break out group 2 - Risk Assessment and Thematic Reviews
 - Type of risk assessment can vary, with onsite and offsite assessments conducted and the scope can be either full or targeted
 - The subject of a risk assessment can be based on different factors such as higher impact firms and firms selected as part of a sectoral review
 - The prudential supervision team may risk assess a firm within 12 months of being authorised
 - The conduct supervision team may risk assess firms every 3 years and as part of sectoral reviews
- Break out group 3 - Prudential and Conduct Business Risks
 - Prudential risk assessment findings shared included policies not reflecting actual process or DFSA requirements, assigned ratings not adequately justified or documented
 - Risk assessments will be targeted at higher risk firms such as private banks, brokers and others
- Break out group 4 - Innovation and Technology
 - The eligibility to qualify for the innovative testing license (“ITL”), which caters to innovative technologies/business models
 - Existing firms in the ITL include firms involved in the areas of money services, crowdfunding, robo-advisors and digital wealth firms and blockchain, there have been 72 accepted applications to the ITL out of 163.

Further information on the outreach event, including the presentations can be found [here](#).

1.6. DIFC Launches Metaverse Accelerator Programme

On 1 May, the DIFC Innovation Hub launched the Metaverse Accelerator as Programme. The programme provides hands-on mentorship opportunities, access to an exclusive network of industry professionals, marketing exposure and access to co-working spaces and workshops. The DIFC welcomed applicants from Augmented Reality (‘AR’), Virtual Reality (‘VR’), Artificial Intelligence (‘AI’) and Machine Learning (‘ML’) start-ups.

The applications deadline was 20 May 2023.

Further information and application forms can be found [here](#).

1.7. DIFC Data Protection Office Consults on AI Amendments

On 18 May, the DIFC Data Protection Office issued Consultation Paper No. 2 of 2023, proposing amendments to the Data Protection Regulations. The regulations support the DIFC Data Protection Law No. 5 of 2020 and guide the implementation of the Law.

The paper proposes updates to:

- Regulation 8 on managing personal data breaches, occurring from inadvertently obtained information
- Regulation 9 on data collection by digital communications and services
- Regulation 10 on the collection of personal data through digital enablement technology systems, namely AI

The consultation paper can be found [here](#).

1.8. DIFC Hosts Dubai's FinTech Summit

On 8 May, the DIFC hosted a two-day Dubai Fintech Summit at Madinat Jumeirah. The event brought together over 5,000 senior executives in FinTech to discuss the latest innovations and challenges in the sector. In addition, the event provided the opportunity for startups, investors, and industry leaders to connect and capitalise on the rapid growth expansion in the sector. It consisted of insightful fireside chats, panel discussions, and exhibitors' demonstrations.

You can read more details [here](#).

1.9. DIFC Signs MoU with Dubai Chambers Supporting Family Businesses

On 22 May, the DIFC Family Wealth Centre signed a Memorandum of Understanding ('MoU') with Dubai Chambers' Dubai Centre for Family Businesses. The signing was attended by Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, First Deputy Ruler of Dubai, Deputy Prime Minister and Minister of Finance of the UAE, and President of the DIFC. The MoU will facilitate training, education, event and promotions between the two entities and define methods of cooperating between the federal and local authorities.

You can read more details [here](#).

1.10. DFSA Issues Clarification Statement

On 16 May, the DFSA issued a clarification statement on issuing virtual or physical bank cards. The DFSA confirm that that activity is considered as 'Providing Money Services' and requires specific approval from the DFSA in the form of licence permission. Firms arranging for or facilitating customers to receive payment cards, access payment apps, or advising customers about using a particular Money Services provider must get authorisation before commencing services. Firms failing to hold this permission must cease services.

You can read more details [here](#).

1.11. DIFC Holds Wealth and Asset Management Seminar

On 15 May, DIFC and Trident Trust held an industry seminar on Wealth and Asset Management, discussing growth in regulations and digitalisation. The speakers discussed global trends, opportunities, and development in the sector and the legal and regulatory framework.

1.12. DIFC Offers UAE Corporate Tax Diploma Programme

On 13 May, the DIFC announced the UAE Corporate Tax Diploma Programme before enforcing Federal Decree-Law No. (47) of 2022 'Taxation of Corporations and Businesses' and Cabinet of Ministers Decision No. 116 of 2023 'UAE Corporate Tax Law'. The programme will certify tax professionals while providing the

knowledge and tools to comply with the new legislation. The course is approved by the Federal Tax Authority ('FTA') and delivered by the PwC Academy.

You can read more details [here](#).

The UAE corporate tax law is enforceable from 1 June 2023 and can be read in full [here](#).

Further information

If you have any questions or concerns regarding these DIFC and DFSA developments and requirements, please contact [Nigel Pasea](#).

2. ADGM AND FSRA LATEST DEVELOPMENTS

2.1. ADGM Expands Territory

On 8 May, the Abu Dhabi Global Market ('ADGM') announced an expansion of its jurisdictions to Al Reem Island as part of Cabinet Resolution No. (41) for 2023. The expanded territory makes the ADGM the largest financial district globally and meets the growing demands of firms wishing to establish in the region. In addition, firms interested in establishing in the ADGM may benefit from the 0% corporate tax, various office arrangements, and lifestyle options as part of the ADGM Growth Strategy 2023-2027.

You can read more detail [here](#).

2.2. FSRA Enhances Framework for Private Credit Funds

On 4 May, the ADGM's Financial Services Regulatory Authority ('FSRA') updated the Financial Services and Market Regulations 2015 by enacting Financial Services and Markets (Amendment No.1) Regulations 2023. The amendments apply to various rules and regulations to enhance the framework to permit private credit funds. The amendments will enable ADGM-based collective investment funds to invest in credit by originating and participating in credit facilities.

The updates include:

- Fund Rules ('FUNDS')
 - Defines 'Private Funds'
 - Sets specific requirements for private credit funds, including:
 - Systems and controls
 - Eligible investments and diversification requirements
 - Borrowing and leverage
 - Disclosures
 - Reporting
 - Stress testing
- Islamic Finance Rules ('IFR')

- Updating phrasing from ‘Credit Agreement’ to ‘Credit Facility’
- Market Rules (‘MKT’)
 - Clarifying prospectus requirements for asset-back securities
- GLO
 - Redefines ‘Associate’, ‘Committed Capital’, ‘Lender’ and ‘Private Credit Fund’
 - Removed the definition of ‘Credit Agreement’

You can read more detail [here](#).

You can read the Regulations in full [here](#).

2.3. FSRA Issues Alert on Funds Fraudulent Claims

On 24 May, the FSRA issued an alert following fraudulent claims from Clover Climate Fund’s leader on the fund’s regulatory status. The FSRA confirmed that the fund had not been established within the ADGM, nor has the FSRA regulated it as a collective investment fund.

Firms are reminded to monitor senior employees’ public claims about regulated activities, including any social media accounts, to ensure compliance.

You can read the full alert [here](#).

2.4. ADGM Issues Money Laundering and Terrorist Financing Risk Assessment Report

On 31 May, the ADGM launches its inaugural Money Laundering and Terrorist Financing Risk Assessment of ADGM legal persons and arrangements supporting the ADGM’s long-standing commitment to anti-money laundering practices in its jurisdiction. The report draws from the recommendations of the Financial Action Task Force (‘FATF’). It uses a systematic approach to assessing threats and vulnerabilities, probabilities for exploitation and the effectiveness of mitigating measures for each legal person and arrangement. Insights can be applied to all regulated entities to provide a granular understanding of money laundering risks. The report will supplement application risk assessments and the monitoring of ongoing compliance.

The report covers:

- Relevant legal framework and resources
- Overview of ADGM’s legal persons
- Methodology of the report findings
- Application of findings

The report can be read in full [here](#).

Further information

If you have any questions or concerns regarding these ADGM and FSRA developments and requirements, please contact [Karissa Stelma](#).

3. MIDDLE EAST REGULATORY UPDATES

3.1. MENA FATF upgrades UAE Ratings

On 31 May, the Middle East and North Africa ('MENA') FATF favourably upgrades the UAE's compliance ratings against the FATF's 40 recommendations. The UAE is now compliant with 39 of the 40 recommendations with improvements in recommendation one (Assessing risks & applying a risk-based approach), 19 (reliance, controls of financial groups for higher risk countries) and 29 (implementation of financial intelligence units).

It was acknowledged that the UAE strengthened measures such as:

- Applying a risk-based approach to money laundering
- The application of enhanced due diligence for FATF-blacklisted countries
- The establishment of an independent Financial Intelligence Unit ('FIU')

In addition, the FATF conducted mutual evaluations for several jurisdictions which have received updated ratings:

- Qatar has been rated largely compliant in nine and compliant in 31 recommendations
- Fiji has been rated partially compliant in six, largely compliant in 21, and compliant in 13.

You can read details of the UAE's updates review [here](#), Qatar's review [here](#) and Fiji's review [here](#).

3.2. UAE Holds Summit on Combating Money Laundering and Terrorist Financing

On 16 May, the Ministry of Justice held a three-day conference on money laundering and terrorist financing. The central authorities of 31 countries attended the event. Participants discussed issues such as the freedom to exchange information, the affiliation of international cooperation and the application of new technologies and practices.

3.3. UAE EOCN Holds Industry Summit

On 17 May, the UAE's Executive Office for Control and Non-Proliferation ('EOCN') held a two-day virtual summit on Combating Terrorism and Proliferation. The event discussed the international exploitation of DNFBP's by criminals due to weaker controls and a lack of understanding of typologies. The speakers also discussed the increase in the use of financial intermediaries and front companies in facilitating money laundering and the importance of adequate due diligence and mitigation measures. The importance of the FATF and the United Nations Security Council ('UNSC') was highlighted for their research and in-depth guidance of themes within the public and private sectors.

3.4. SAMA Holds Consultation for Regulating BNPL Companies

The Saudi Central Bank ('SAMA') consulted on the regulation of Buy Now Pay Later ('BNPL') companies. The rules aim to set the minimum standard for entities executing services in this sector whilst enshrining Financial Consumer Protection Principles and associated rights.

Further details of the proposal can be read [here](#).

3.5. SAMA Announces Registration for the Investment Immersion Programme

On 29 May, SAMA opened applications for its third investment immersion programme. The apprenticeship aims to develop and employ local investment talent. The scheme includes technical and on-the-job training under the supervision of investment experts. The scheme works on a rotation basis, allowing apprentices to work with multiple international banks and investment management companies.

Applications will be accepted until 30 June 2023.

Further information and application forms can be found [here](#).

3.6. CMA Holds Risk Management Workshop

On 17 May, the Omani Capital Market Authority ('CMA') held a risk management workshop focused on the organisational, regulatory and institutional requirements for financial service professionals. The workshop, run by FATF's assessor Ahood Issa Al Balushi, was attended by compliance officers, and covered the Law of Combating Money Laundering and Terrorism Financing No. (30/2016) and FATF recommendations.

You can read more details [here](#).

Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

4. INTERNATIONAL UPDATES

4.1. G7 Release Statements on Cyber and Proliferation

On 19 May, the 2023 G7 held its three-day summit in Japan. The summit concluded with a focus on crypto, AML, cyber-crime, proliferation financing of weapons of mass destruction and financial crime. The Summit meets annually to discuss issues facing the planet, including security and democracy.

The G7 expressed ongoing concerns about the use of crypto for illicit acts such as human trafficking, drug trafficking, funding terrorism, corruption and environmental crime. The G7 also reported the rise in using crypto for ransomware attacks ('FATF') guidance remains the global standard for managing risks, and further guidance is set to be produced to address more recent typologies. Transparency for beneficial owners of legal persons and arrangements remains a weakness in many countries' fight against financial flows used for illicit activities. The G7 stressed the importance of adequate regulation, supervision, and oversight of intermediaries and exchanges.

The G7 addressed North Korea's nuclear missile programme, Iran's nuclear programme, and Russia's nuclear use threats and potential money laundering and proliferation exposures. In addition, the congregation addressed the requirement for nations to uphold their compliance commitments to strengthen the Treaty on Non-Proliferation of nuclear weapons and uphold sanctions.

You can read more details [here](#).

4.2. FATF holds Private Sector Consultative Forum

On 9 May, the FATF held a two-day annual private sector forum in Vienna, hosted by the United Nations Office on Drugs and Crime. The event was attended by over 250 delegates including representatives from the financial sectors, non-financial businesses and professions, civil society, academia, FATF members and other stakeholders. Delegates discussed the requirement of a 'whole-of-society' approach to tackle illicit activities, the balance of a 'risk-based-approach' to money laundering against business efficiency, the deepening of partnerships between the public and private sector and the need for FATF collaboration with non-profits. The attendees also analysed operation responses to COVID-19 and the use of technology in compliance and discussed forthcoming FATF best practice papers.

You can read more detail [here](#).

4.3. Update to the Sanctions List

The Executive Office of the Committee for Goods and Materials Subject to Import and Export Control ("CGMSIEC") has updated the UN Security Council ("UNSC") sanctions list. Two individuals have been added.

Firms are reminded to monitor geopolitical events and any resulting updates to the international sanctions lists to assess their exposure to sanctioned individuals and entities. Sanction contraventions must be reported to the relevant authorities without delay, and regulators will expect to be notified of any sanctions matters that may result in reputational consequences for the firm.

The updated sanctions list can be found [here](#).

Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

5. ENFORCEMENT ACTIONS

5.1. Bahrain Enforces Verdict to Return Laundered Funds to Kuwait

On 14 May, the Kingdom of Bahrain has enforced a verdict to return US\$280Mn to the state of Kuwait following the National Financial Intelligence Centre's investigations. The transaction shows a commitment to international judicial cooperation and AML compliance.

You can read more details [here](#).

5.2. UAE Bank Imposes Sanctions on Eight Lenders

On 16 May, the UAE Central Bank imposed sanctions on eight banks operating in the Emirates for failing to comply with the Nationals Defaulted Debts Settlement Fund following Article 137 of the Decretal Federal Law No (14) of 2018. The banks did not comply with instructions not to grant any loans or credit facilities to beneficiaries of loans granted by the fund. Names of banks and associated fines are yet to be disclosed.

You can read more details [here](#).

Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

ABOUT WAYSTONE COMPLIANCE SOLUTIONS

Waystone Compliance Solutions offers a new and unique approach to compliance services at a corporate level.

As a truly global partner, we have the capabilities to help you manage regulatory risk right across your organisation.

We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, and operational and technology infrastructure, not to mention sales and marketing procedures. And we can do so anywhere in the world.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence.

At Waystone, we have brought together the experience, the expertise, and the global reach to give you the certainty you need to address the ever-changing regulatory world. And by doing so, provide you with a secure route on the road to success.

<https://compliance.waystone.com/>

Consultancy Services & Support

- Compliance Advisory
 - The Virtual Compliance Clinic
 - Assurance Reviews
 - Compliance Remediation
 - Data Protection
 - Financial Crime Prevention
 - Corporate Governance
 - Risk Management
 - Prudential Rules & Regulatory Reporting
- Authorisation
- Outsourcing (Compliance Officer, MLRO, Finance Officer and Data Protection Officer)
- Documentation
- Training

If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us using the details below:

Email: compliancesolutions@waystone.com

Website: <https://compliance.waystone.com/>

Tel: Dubai +971 4 323 0800 | Abu Dhabi +971 2 440 2146

or write to us at:

Waystone Compliance Solutions
Level 2, Gate Village Building 7,
Dubai International Financial Centre (DIFC),
Dubai, PO Box 506733,
United Arab Emirates

This regulatory update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This regulatory update is intended to provide general summarised guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.