



Regulatory Update

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1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1 DIFC's DFDF Holds Annual Meeting

On 6 March, the Dubai International Finance Centre's ('DIFC') Dubai Future District Fund ('DFDF') and Dubai Future Foundations ('DFF') held its Annual General Meeting ('AGM') on 2023 performance. The AGM reviewed its second year of operation attracting distinguished attendees from government officials, investors and top executives to discuss the Fund's forward-looking strategies promoting sustainability. Keynote speakers discussed the DFDF principles and agenda to promote innovation and Small and Medium Size Enterprises ('SME's') in the green economy sector as well as other sectors including sustainable agriculture and aviation, clean energy, technological advancement initiatives such as Artificial Intelligence ('AI'), robotics and smart transportation.

The DFDF aligns with the United Arab Emirates' ('UAE') 'We are the UAE 2031' vision which aims to double the UAE's GDP to AED 3Tn by 2031. The DFDF is a key player in facilitating and providing funding to emerging sustainability innovations.

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

1.2 DIFC Announces Legislative Amendments

On 13 March, the DIFC announced a series of legislative amendments including the enactment of the Digital Assets law and the law on Securities.

The enactment of the Digital Assets law, DIFC law No.2 of 2024, is the world's first digital asset law and sets out the legal characteristics of a digital asset as a matter of property law in addition to providing mechanisms for the control, transfer and management of the asset class. The Law aims to harness the benefits of blockchain technologies. Due to the enactment, the following laws will be amended to cater for this asset class via the DIFC Amendment Law, No.3 of 2024:

- Contracts Law
- Law of Obligations
- Law of Security
- Law of Damages and Remedies
- Trust Law
- Foundations Law.

The enactment of the Law on Securities, DIFC Law No.4 of 2024, repealing DIFC Law No.8 of 2005, covers the emergence of innovations in securities including businesses and platforms that enable the extension of credit, secured in or covered by digital asset collateral arrangements and other initiatives to drive digitalisation of international trade. The Law takes insight and best practice from other international regimes with themes taken from The United Nations Commission on International Trade Law's (UNCITRAL) Model Law on Securities. In addition, the DIFC will repeal the Financial Collateral Regulations by amalgamating the provisions into a new chapter of the new Law of Security.

Additionally, the Law of Obligations has been updated to allow for the use of electronic transferable records to be used as legally binding documents in the same way as paper trade documents or instruments such as bills of lading or promissory notes. The update will allow for more efficient cross border trade and the use of smart contracts to facilitate certain transactional documents.

On 14 March, the DIFC announced further legislative amendments following the enactment of the DIFC Law Amendment Law No.1 of 2024. The Employment Law, Trust Law, Foundations Law and Operating Law have been amended in addition to the previous amendment to the Operating Regulations.

In relation to the Employment Law, the DIFC has made amendments to the 'top up' rules for Gulf Cooperation Council ('GCC') nationals to Qualifying Schemes such as the DIFC Employee Workplace Savings ('DEWS') Scheme. Currently, employers are required to pay into a General Pension & Social Security Authority ('GPSSA') scheme and a Qualifying Scheme. However, now employers will be required to 'top up' the Qualifying scheme to the value of a gratuity payment which would have been due to a non-GCC national. The payment scheme is subject to a de minimis monthly threshold of AED1,000. The amendment also covers situations where the Qualifying Scheme is unable to accept contributions from an Employer due to sanctions prohibitions. Now, the Employer's obligation to make contributions on a monthly basis to the Qualifying Scheme is suspended and instead replaced with an obligation to accrue such benefits until the sanctions are lifted or when the employment terminates.

A series of changes are enacted to the Trust Law and Foundations Law to enhance the DIFC Courts' powers over proceedings to the exclusion of foreign proceedings. This allows the DIFC to 'ring fence' or 'firewall' proceedings.

You can find the DIFC article from 13 March [here](#) and the article from 14 March [here](#).

1.3 DIFC Hosts '100 Days from COP' Event

On 18 March, the DIFC reaffirmed its dedication to its climate change commitments and hosted the event "100 Days from Conference of Parties ('COP')28: Commitment to Action". The event, presented in collaboration with the Global Ethical Finance Initiative ('GEFI'), was attended by several United Arab Emirates ('UAE') based financial institutions and financial services stakeholders where the progress made on commitments to support the UAE's green economy was reflected upon. Leaders at the event discussed the Dubai Sustainable Finance Working Group ('DSFWG') road map and the AED 1Tn sustainable finance pledge as well as the DIFC and its affiliates' progress in knowledge building and Environmental Social and Governance ('ESG') policy development.

The delegation discussed milestones and future successes including:

- The Sustainable Finance Catalyst
- The Dubai Financial Services Authority ('DFSA') first ESG fee waiver for sustainability related debt issuance
- The DIFC signing a Memorandum of Understanding ('MoU') with the climate bonds initiative.

You can read the DIFC article [here](#).

1.4 DFSA Issues Consultation Paper on Crowdfunding

On 5 March, the Dubai Financial Services Authority ('DFSA') issued Consultation Paper 156 "Updates on the Regulation of Crowdfunding". The DFSA seeks industry and expert opinion on the regulatory requirements for crowdfunding operators.

The DFSA requests opinions on:

- advertising restrictions
- its revision of retail limits
- its revision of fundraising limits
- the criteria of 'property'
- enhancements to independent evaluation reports issued to investors.

The changes will predominantly update the Code of Business ('COB') module of the DFSA rulebook and the Market ('MKT') rules.

The consultation paper can be read [here](#) and submit your comments [here](#). Comments are welcome until 6 May.

1.5 DFSA Issues Consultation Paper on DFSA Fees

On 15 March, the DFSA issued Consultation Paper 157 “Proposed Changes to DFSA’s Fees”. The DFSA seeks insight into suggested changes to its fee structure.

The DFSA requests opinions on the following:

- Annual fees, including:
 - Expenditure based fees
 - Fees for each additional financial service
 - Fees for endorsement.
- Supervisory event fees, including:
 - Fees for removal of authorisations, endorsements, activity or financial product
 - Fees for applications relating to authorised individuals, key individuals and audit principles
 - Fees to withdraw a licence
 - Fees for transfer scheme related work
 - Fees for equity delisting.
- Firm specific fees, including:
 - Applications for testing innovative financial technologies
 - Crowdfunding platforms
 - Registered auditors
 - Representative offices
 - Insurance management
 - Insurers in run off
 - Listed foreign funds.

The changes will affect the Fees module (‘FER’) and Glossary module (‘GLO’) of the DFSA rulebook and will adjust the DFSA fees to account for the current market costs of the relevant supervisory activity.

You can read the consultation paper [here](#) and submit your comments [here](#). Comments are welcome until 15 May.

1.6 DFSA Issues Dear SEO Letter on Brokerage Business Models

On 18 March, the DFSA issued “Dear SEO Letter: Key Themes and Findings from the 2023 DFSA Risk Assessments: Brokerage Business Models”. SEO letters issued by the DFSA communicate changes which affect the DIFC community, regulated institutions or inform of other matters of interest.

In the 2023 Risk Assessment, the DFSA reviewed brokerage firms’ compliance against the General (‘GEN’) module, the COB module and the Anti Money Laundering (‘AML’) module of the DFSA rulebook.

Weaknesses were noted in the following areas:

- Governance arrangements
- Systems, controls and compliance resourcing
- Client classification policies and procedures
- Appropriateness assessments
- Remuneration practices
- Handling of staff related misconduct
- Outsourcing and reliance on group entities
- Suspicious activity order reports
- Assessing business AML risks

- Assessing customer AML risks
- AML systems and controls
- Customer due diligence
- Enhanced due diligence
- Ongoing due diligence
- Qualities of a Money Laundering Reporting Officer ('MLRO').

The DFSA will invite the DFSA community to attend an outreach session to speak on the deficient findings and to provide an overview of the report. It has recommended that all firms should attend.

You can read the Dear SEO letter [here](#) with detailed findings enclosed.

1.7 DFSA Issues Consultation Paper on Credit Funds, Public Property and REITs

On 19 March, the DFSA issued a further consultation paper "Credit Funds, Public Property and REITS". The DFSA welcomes feedback from industry professionals and other interested parties on potential changes to its Collective Investment Rules ('CIR').

A summary of the proposed changes is set out below:

- For Credit Funds, Fund Managers would be allowed to manage External Funds that are Credit Funds, provided that certain conditions are met
- For Public Funds, an increase in the quality and granularity of the Oversight Committee's report
- For Public Property Funds, there are amendments to the requirements for Governing Body Members, Investment Committee Members and Investment Committee's Reports
- For Public Property Funds, Fund Managers should disclose in the Prospectus detailed information on its fees and other charges, including how it compares to similar schemes in comparable jurisdictions
- For Property Funds, a supplement to the current valuation rules with an introduction of numerous new requirements for valuation reports
- For REITs, changes include the following:
 - o a minimum proportion of income-generating properties set as 75% of REIT's total assets
 - o a reduction in the restriction from 30% to 15% of the NAV the total contract value of property under development which a REIT can invest in
 - o an increase from 80% to 90% of audited annual income to be distributed to Unitholders.

The DFSA also specifically requested feedback on the following two issues:

- whether to require a minimum number of Unitholders in Public Funds
- whether to change the leverage limits imposed on REITs.

You can read the consultation paper [here](#) and submit your comments [here](#). Comments are welcome until 20 May.

1.8 DFSA Issues a Call for Evidence

On 26 March, the DFSA issued a call for evidence to fund managers, investment managers, their advisors and clients or applicants and other interested professionals on "Credit Funds" to review the efficiency of the 2021 Credit Fund regime.

The Call for Evidence requests feedback on:

- the overall approach to private credit funds
- the suitability of investment objective thresholds
- a review of types of credit facilities
- thresholds of leverage for credit funds
- a review on permitted fund structures
- any additional comments.

You can read the Call for Evidence [here](#) and submit feedback [here](#). Feedback is welcome until 10 May.

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 Reflects on 2023 Successes

On 6 March, the Abu Dhabi Global Market ('ADGM') published its 2023 successes as the region's fastest growing International Finance Centre ('IFC').

The ADGM noted a significant increase of assets under management up by 35% from 2022 with 141 funds managed by 102 asset management firms. The ADGM contributes a major part of its success to the Financial Services Regulatory Authority's ('FSRA') enactment of the Private Credit Fund Framework.

The ADGM has 1,825 operational entities, a growth of 32% from 2022, and has attracted international giants including Goldman Sachs, Brevan Howard and Ardian amongst other industry's professionals. There are already 125 incorporation applications in progress, as well. In addition, the centre has a further 88 financial institutions and 2 exchanges with In-Principle Approvals. The ADGM's workforce has increased 22% from 2022 and now has 13,394 members.

The ADGM also reflects on the success of numerous events with international recognition including:

- the Abu Dhabi Finance Week
- the COP28 and the Year of Sustainability.

In addition, the ADGM acknowledges noteworthy achievements including:

- the expansion to Al Reem Island
- the issuance of its inaugural AML risk assessment of legal persons and arrangements report
- the launch of Numou, a platform to bridge the gap for fundings to Small and Medium Size Enterprises ('SME')
- the enactment of the Beneficial Ownership and Control Regulations 2022
- the revision of the AML rulebook
- the launch of "ODR@ADGM", an online dispute resolution platform
- the ADGM hitting a milestone of training and upskilling 1,000 UAE nationals including the graduation of 500+ UAE nationals from the National Development Programme
- the enrolment of 300+ candidates in the ADGM Academy ('ADGMA') Entrepreneur programme
- the signing of 82 strategic partnership agreements with ADGMA including 2 international partnerships and 5 research and innovation focussed partnerships
- the signing of 19 MoU's with academic and corporate entities.

You can read the ADGM article [here](#).

2.2 ADGM Publishes Consultation Paper on Whistleblowing

On 7 March, the ADGM published “Consultation Paper No.2 of 2024- Proposals for a Whistleblowing Framework for the Abu Dhabi Global Market”. The Consultation Paper proposes amendments to the Registration Authority’s (‘RA’) Employment Regulations 2019, the General Rulebook (‘GEN’), the Market Infrastructure Rulebook (‘MIR’), and the FSRA’s Guidance and Policy Manual. This is in addition to the enactment of supporting Whistleblowing Regulations. The ADGM seeks the opinion from all affected ADGM firms and relevant stakeholders.

The proposed measures aim to align the ADGM with global standards and encompass the following:

- a dedicated framework allowing for “protected disclosures” for individuals reporting in good faith
- explicit availability of both internal and external reporting channels
- strong governance requirements for all ADGM entities
- non-retaliation protections.

The proposal includes considerations for the size and complexity of firms to allow for an efficient and effective framework.

You can read the consultation paper [here](#). Comments are welcome by 30 April 2024 by emailing Consultation@adgm.com.

2.3 ADGM signs MoU with KIFC

On 11 March, the ADGM signed a MoU with the Kigali International Finance Centre (‘KIFC’) of Rwanda. The partnership aims to foster cooperation between both financial centres in the areas of promotion and international development, mutual recognition, capacity building, sustainable finance and Islamic finance. In addition, the MoU will promote opportunities in both financial centres. This will be accomplished through sharing best practices and fostering a culture of continuous development through information exchange and training programmes.

The MoU highlights ESG, sustainable finance, green bonds, Corporate and Social Responsibility (‘CSR’) and Sustainable and Responsible Investments (‘SRI’).

You can read the ADGM article [here](#).

2.4 ADGM Announces Incentive for AI Reem Businesses Transitioning to ADGM

On 26 March, the ADGM announced a new initiative for retail and non-financial businesses to transition to the ADGM. Following focus group meetings with the affected groups, the ADGM proposed that retail and non-financial businesses will be exempt from paying fees to obtain an ADGM licence until 31 October 2024. The measure aims to reduce the financial burden on AI Reem Businesses.

You can read the ADGM article [here](#).

2.5 ADGM Publishes Consultation Paper on Certain Trust Information

On 27 March, the ADGM’s RA issued “Consultation Paper No.3 of 2024- Proposal Concerning Registration of Certain Trust Particulars”. This Consultation Paper invites public feedback on proposed amendments to the Beneficial Ownership and Control Regulations 2022 (‘BOCR 2022’) and Limited Liability Partnership Regulations.

A summary of the amendments are as follows:

- Amend the BOCR 2022 by enacting the Beneficial Ownership and Control Regulations (Amendment No. 2) 2024 to introduce the Trust Regime
- The Trust Regime will apply to trusts which have a trustee licensed under the Commercial Licensing Regulations 2015 (i.e. Professional Trustees)
- Professional Trustees will have to establish and maintain a confidentially and securely held register (known as the 'record of the trust')
- A person which acts as a trustee of an express trust will be removed from the definition of an ADGM Person under BOCR 2022
- The current exemption for Investment Trusts will be removed
- Amending the Limited Liability Partnerships Regulations 2015 to require the appointment of a natural person designated member in a comparable manner to the requirement under the Companies Regulations 2020 to appoint a natural person as director of a company.

You can view the Consultation Paper [here](#). Comments are welcome until 21 April by emailing Consultation@adgm.com.

2.6 ADGM FSRA Issues Dear SEO Letter

On 7 March, the FSRA issued "Dear SEO: Revision to FSRA's Control Functions and Recognised Functions".

Following the 18 December announcement regarding revisions to the Framework for Control Functions and Recognised Functions (now jointly referred to as Approved Persons), firms will now use the consolidated Approved Person application for future applications of Control Functions and Recognised Functions. The application will cost US\$500 per application and will be subject to the regulator's approval.

The revision came into effect on 1 January 2024 and no action is required by those currently holding an Approved Person role.

Further information

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

3. MIDDLE EAST REGULATORY UPDATES

3.1 MoF Launches Public Consultation on Tax

On 15 March, the UAE's Ministry of Finance ('MoF') launched a digital consultation on the implementation of the Global Minimal Tax ('GMT') or Global Anti-Base Erosion Model Rules ('GloBE rules') in the UAE. MOF welcomes comments from relevant stakeholders and experts.

The consultation paper requests feedback on the following:

Part one:

- policy design options for the implementation of GloBE rules
- the development of a domestic minimal tax
- consideration of the implementation of the Organisation for Economic Co-Operation and Development ('OECD') model legislation.

Part two:

- introduction of a substance-based tax incentives to form part of the UAE Corporate Tax regime.

You can read the consultation paper and [here](#) comments can be submitted [here](#). Comments are welcome until 10 April 2024.

3.2 SCA Signs MoU on VA Crimes with Dubai Police

On 21 March, the UAE's Securities and Commodity Authority ('SCA') signed an MoU with the Dubai Police General Headquarters to tackle virtual asset crimes and money laundering. The MoU aims to facilitate the exchange of information and cooperation between the two parties, thereby allowing for a more effective management of financial crime. The parties will utilise technology to share information, analyse virtual asset techniques and host awareness campaigns. In addition, the parties will create training courses and workshops.

You can read the SCA article in Arabic [here](#).

3.3 Oman Establishes Financial Services Authority

On 25 March, the Sultanate of Oman established a Financial Services Authority ('FSA') to replace the Capital Markets Authority. The FSA, established by Royal Decree 20/2024, will release its guiding and implementing regulations on 31 March.

You can read the Royal Decree [here](#).

Further information

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

4. INTERNATIONAL UPDATES

4.1 FATF Reviews FUR for Several Jurisdictions

The Financial Action Task Force ('FATF') published Enhanced Follow Up Reports ('FUR') to two jurisdictions. The FUR assesses jurisdiction's progress against the 40 FATF recommendations for compliance deficiencies in the fight against global anti-money laundering, proliferation financing and terrorist financing.

On 26 March, the United States of America ('USA') received updated ratings as follows:

- 9 Compliant, 23 Largely Compliant, 5 Partially Compliant and 3 Non Compliant.

On 27 March, Australia received updated ratings as follows:

- 18 Compliant, 12 Largely Compliant, 6 Partially Compliant and 4 Non Compliant.

You can read the USA report [here](#), the Australia report [here](#) and the updated consolidated ratings table [here](#).

4.2 UN Updates Sanctions List

The United Nations Security Committee ('UNSC') updated an entry on its sanction list in light of the global political landscape. As a member of the UN, the UAE is committed to implementing the UNSC resolutions, and all firms must report on their involvement with sanctioned entities.

On 7 March, the Security Council 1718 amended one entry updating the entry name from the 'Ministry of the People's Armed Forces' to the 'Ministry of National Defence'.

Further details can be found [here](#).

Further information

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

5. ENFORCEMENT ACTIONS

5.1 ADGM RA Issues Several Fines

On 19 March, the ADGM RA fined many firms for failing to meet their obligations under section 19(2) of the Beneficial Ownership and Control Regulations 2018. The RA found that firms had failed to submit a notice to the Registrar within 15 days where there was an amendment or change in the beneficial owners.

You can read the ADGM notices [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
 - o The Virtual Compliance Clinic
 - o Assurance Reviews
 - o Compliance Remediation
 - o Data Protection
 - o Financial Crime Prevention
 - o Corporate Governance
 - o Risk Management
 - o 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:

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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.