



Regulatory Update

Middle East, August 2024

Issued 9th September 2024



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1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1 Ripple Partnership with DIFC Innovation Hub

On 7 August, Ripple announced plans to partner with the Dubai International Financial Centre ('DIFC') Innovation Hub to accelerate blockchain and digital assets innovation in the UAE. This partnership will provide the means to drive blockchain and crypto adoption amongst early-stage companies and scale-ups.

Ripple has committed one billion XRP to accelerate development and new global use cases on the XRP Ledger (XRPL), the decentralised, layer 1 blockchain. Through the commitment, Ripple will provide financial, technical, and business support to developers.

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

1.2 DFSA Publishes Consultation Paper on Client Assets Regime

On 6 August, the Dubai Financial Services Authority ('DFSA') published Consultation Paper 160 "Updates to the Client Assets Regime".

The DFSA's Client Assets regime applies to Authorised Firms that (1) hold or control Client Assets or (2) are authorised to provide the financial service of Providing Custody.

The key changes proposed are as follows:

- expanding the circumstances in which an Authorised Firm will be controlling Client Assets under COB Rule 6.11.4(d)
- clarifying the requirements that apply to an Authorised Firm that only controls Client Assets under COB 6.11.4(d)
- clarifying that Investments and Crypto Tokens that are Fund Property are not Client Investments or Client Crypto Tokens, respectively and, as a result do not fall within the Client Assets regime
- introducing a requirement to compile and maintain a Client Asset crisis preparedness pack
- clarifying what Client Assets aspects, the Registered Auditors should assess for the purpose of preparing Client Assets Auditor's Reports
- converting the Third-Party Agent suitability assessment criteria from guidance to rules and expanding some criteria
- changing the timing by which the written acknowledgment for Client Money accounts should be received from Third Party Agents
- improving Client Money disclosure rules
- amending the Rules to require more frequent reconciliations of Client Assets
- clarifying that Client Assets should be recorded and reconciled on a settlement date basis
- clarifying the frequency of client reporting and reflecting technological developments
- providing more flexibility around naming Client Accounts
- clarifying the requirements that apply when an Authorised Firm is Arranging Custody.

You can read the consultation paper [here](#). Comments are welcome until 20 October and can be submitted [here](#).

1.3 Global CBPR Forum Endorses DIFC

On 28 August, the DIFC became recognised by the Global Forum Assembly ('GFA') as an Associate Member. Following this, the DIFC was welcomed by the Global Cross Border Privacy Rules ('CBPR') Forum as an Associate. This achievement is as a result of the DIFC's active engagement and participation in the development of the Forum since its establishment in April 2022. The CBPRs are a flexible yet secure privacy certification scheme that the Commissioner plans to adopt in accordance with Article 50(5) of the Data Protection Law.

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

1.4 DFSA Implements Rulebook Amendments

On 1 August, following Consultation Papers 156 "Updates on the Regulation of Crowdfunding" and 158 "Credit Funds, Public Property Funds & REITS", a number of amendments to legislation came into force.

The following Rulemaking Instruments came into force on 1 August 2024:

- Conduct of Business Module ('COB') Rule-Making Instrument (No. 386) of 2024
 - o updating the prohibition on operators of advertising outside the crowdfunding operator platform
 - o increasing the annual investment and lending limits for retail clients
 - o changes to the valuation report requirements for properties listed on crowdfunding operator platform.
- Market Rules ('MKT') Rule-Making Instrument (No.387) of 2024
 - o changes to what constitutes an exempt offer
- Collective Investment Rules ('CIR') Rule-Making Instrument (No.388) of 2024
 - o changing the restriction on fund managers for managing an external fund which is a credit fund
 - o updating the requirements on the prospectus for an external fund that is a credit fund.

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

1.5 DFSA and HKMA Co-host Climate Finance Conference

- o On 22 August, the DFSA and the Hong Kong Monetary Authority ('HKMA') announced that the HKMA-DFSA Joint Climate Finance Conference will take place on 16 September 2024 in Hong Kong. The conference aims to further promote Hong Kong and Dubai's relationship on sustainable finance. The conference will address reducing dependence on fossil fuels and the shift towards a more sustainable growth model.

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

1.6 DFSA Issues Dear-MLRO Letter

On 26 August, the DFSA issued a Dear Money Laundering Reporting Officers ('MLRO') letter pursuant to Part 4 of Chapter 2 "Anti Money Laundering Compliance of the Regulatory Law 2004, to inform MLROs of recent announcements made by the United Nations Security Council Sanctions ('UNSC') Committee. The letter serves as a reminder for MLROs to review client databases and any information obtained in relation to potential or existing clients against updated the updated UNSC List.

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 Publishes Consultation Paper

On 20 August, the Financial Services Regulatory Authority ('FSRA') published Consultation Paper No. 7 of 2024 "Proposed Regulatory Framework for the Issuance of Fiat-Referenced Tokens".

The FSRA invites public feedback and comments on its proposed introduction of a specific regulatory framework that would enable "Fiat Referenced Tokens" ('FRTs') to be issued from the Abu Dhabi Global Markets ('ADGM'). FRTs are a category of "stablecoins" which are backed by high-quality, liquid assets denominated in the same currency as the FRT and that can be liquidated rapidly with minimal adverse price effect. FRTs are intended to be used as a means of payment and share certain characteristics with Stored Value.

In conjunction with the implantation of a regulatory framework governing the issuance of FRTs, the FSRA is also conducting a review of the existing suite of Regulated Activities to consider any applicable amendments where such Regulated Activities might be conducted using FRTs. Proposed amendments will consider the acceptance of tokens as consideration for investments or services and will be covered in a separate Consultation Paper, to be published.

A summary of the key considerations within the consultation paper are as follows:

- defining FRT as a digital asset and defining its treatment as an asset which is distinct from a virtual asset.
- considering whether the issuance of a Fiat Referenced Token be a distinct regulated activity or fall within the scope of the regulated activity of providing money services.
- whether reserve assets to be held by an FRT issuer and the range of permitted reserve investments is sufficiently broad
- FSRA proposal to require applicants to submit their allocation limits in relation to the categories of eligible reserve assets instead of prescribing express limits to the FSRA for approval.
- periodic attestation and disclosure concerning reserve assets.
- segregation and custody as well as income arising from reserve assets and seeking agreement as to whether issuers of FRTs should be able to distribute earnings from reserve investments to holders.
- proposing a change to the approach in the redemption of reserve assets.
- capital resources and considering whether minimum capital requirements or variable capital requirements are imposed for the activity of FRT issuance.
- whether restrictions on conducting other regulated activities places an undue restriction on certain FRT business models.
- additional disclosures mandated for inclusion in a white paper.
- annual stress testing of reserve assets against potential events and market conditions.
- proposition that FSRA publish a list of accepted FRTs, which may include those native FRTs which have been issued by a licensed issuer operating from within ADGM and publish guidance on the same.
- for firms that work with FRTs, the introduction of rules similar to those set out in chapter 17 of COBS, concerning applicable anti-money laundering, transaction monitoring, IT risk and travel rule requirements.

You can read the consultation paper [here](#). Comments are welcome until 3 October.

2.2 UAE-China Summit Announced for ADFW

On 7 August, the ADGM announced that it had recently concluded a series of high-level engagements in China and participated in the Shanghai Investment Summit which was attended by 200 industry and financial executives from Hong Kong and China. During the roadshow, a new trade forum was announced “The UAE-China Summit presented by HSBC”. This will be one of the sub-events of the upcoming edition of the Abu Dhabi Finance Week (‘ADFW’) in December.

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

2.3 ADGM Continues Rapid Growth

On 14 August, the ADGM announced that it continued its rapid growth and released several statistics.

A summary of the highlights are as follows:

- a surge of 226% in Assets Under Management was reported in H1 2024 compared to H1 2023
- there are now 112 asset and fund managers operating in the ADGM, managing 141 funds
- the number of new licences grew by 20.5% compared to H1 2023
- the workforce grew by over 2,500 at the end of H1 2024 compared to H1 2023
- the occupancy rate of Al Reem Island has reached more than 92% at the end of June 2024.

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

2.4 100 Days to Abu Dhabi Finance Week

On 30 August, it was announced that the third edition of ADFW will host 50 events and sub-events. The theme will be “Welcome to the Capital of Capital” and will run from 9 December to 12 December 2024. The forum will analyse the policies, investments and strategies defining the future of Abu Dhabi’s Falcon Economy as it brings together the most senior leaders from the host Government and the leadership of multiple international financial institutions.

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

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 UAE Amends Federal Decree Law On AML/CFT

On 11 August, the UAE government issued a Federal Decree-Law amending provisions of the Federal Decree Law on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations.

Key amendments are as follows:

- establishment of the National Committee for Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations
- establishment of the Supreme Committee for the Oversight of the National Strategy for Anti-Money Laundering and Counter-Terrorism Financing
 - o the Supreme Committee will be responsible for overseeing, and assessing the effectiveness of the strategies and measures implemented by the National Committee
- establishment of a General Secretariat for the National Committee, headed by a Secretary-General
 - o the Secretary-General will also be a member of the Supreme Committee.

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

3.2 CBUAE and Dubai Courts Sign MoU

On 1 August, the Central Bank of the UAE ('CBUAE') and the Dubai Courts signed a Memorandum of Understanding ('MoU') aimed at linking electronic services related to the execution of judgments, orders, and decisions issued by the Dubai Courts through the Central Bank's court cases management system. This MoU is part of a joint effort to implement the Zero Government Bureaucracy Programme to improve the quality, efficiency and effectiveness of services offered.

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

3.3 ADX Issues Advisory Alert

On 8 August, the Abu Dhabi Securities Exchange ('ADX') alerted the public and its stakeholders to remain vigilant against fraud and scam attempts. These include fraudsters potentially posing as representatives of ADX's management team, ADX officials, and/or as ADX-associated entities via email, website or social media channels, telephone calls etc.

It has been brought to ADX's attention that false materials have been created by obtaining illicitly copied copyright and trademark protected materials from ADX's official website and announcements. The public should be wary and exercise caution.

ADX asks for the following to be noted:

- ADX does not solicit investments from the general public
- ADX does not directly solicit personal or financial information
- ADX would like to notify the investor community to only deal with licensed entities.

If you are in doubt about the legitimacy of a particular correspondence, please contact ADX at compliance@adx.ae who will assist you.

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

3.4 SCA Reports Growth in Assets Under Management

On 27 August, the Securities and Commodities Authority ('SCA') reported a surge in Assets Under Management to approximately Dh 25Bn. In the past year, there has been an increase of 83% in the number of companies licenced to engage in managing portfolios and investment funds, totalling 33 companies compared to 18 in January 2023. It is projected that the number of local investment funds will be 58 with the SCA having already received 25 new applications to start investment funds.

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

Further information

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

4. INTERNATIONAL UPDATES

4.1 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 23 August, the Security Council ISL (Da'esh) and Al-Qaida Sanctions Committee removed one entry from its sanctions list. The individual with the following details has been removed:

- name: "Yassine Chekkouri"
- date of birth: 6 October 1966
- place of birth: Safi, Morocco
- nationality: Morocco
- passport number: F46947
- national identification number: H-135467.

Following this, the assets freeze, travel ban, and arms embargo no longer apply to this individual.

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

4.2 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.

In August, FATF released the follow-up reports for mutual evaluations for the following countries:

- Malawi received the following ratings: 20 Compliant, 14 Largely Compliant, 5 Partially Compliant and 1 Non-Compliant.
- Madagascar received the following ratings: 9 Compliant, 14 Largely Compliant, 10 Partially Compliant and 7 Non-Compliant.

- Kenya received the following ratings: 13 Compliant, 3 Largely Compliant, 18 Partially Compliant and 6 Non-Compliant.
- Namibia received the following ratings: 7 Compliant, 26 Largely Compliant, 7 Partially Compliant.
- Zimbabwe received the following ratings: 20 Compliant, 16 Largely Compliant, 3 Partially Compliant and 1 Non-Compliant.
- Rwanda received the following ratings: 5 Compliant, 14 Largely Compliant, 20 Partially Compliant and 1 Non-Compliant.

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

Further information

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

5. ENFORCEMENT ACTIONS

5.1 FSRA Imposes Financial Penalty

On 2 August, the FSRA issued a Final Notice against Sovereign Corporate Services ME Limited ('SCS'). The FSRA have imposed a financial penalty of US\$32,000 under section 232 of the Financial Services and Markets Regulations 2015. As SCS agreed to settle the matter at an early stage of the FSRA's enquiry, a 20% discount was applied to the financial penalty.

The FSRA took action against SCS as, during the period from October 2018 to December 2022, SCS failed to take sufficient steps to:

- adequately verify the Source of Wealth ('SOW') for customer it has assigned a high-risk rating to, as part of the Enhanced Customer Due Diligence ('EDD')
- obtain the approval of the Senior Management to establish business relationships with customers when it was assigned a high-risk rating.

As a result, SCS contravened AML Rule 8.4.1.(c) and AML Rule 8.4.1(e).

You can read the Final Notice [here](#).

5.2 CBUAE Imposes Administrative Sanction

On 12 August, the CBUAE pursuant to Article 33(2)(a) of the Federal Decree Law No. (48) of 2023, imposed an administrative sanction on an insurance company operating in the UAE. The insurance company had deficiencies in its regulatory policies and procedures which were in violation of the Guidance on the Personal Data that can be collected for Insurance Policies dated 18 April 2022. Following this, the CBUAE imposed a warning on the insurance company in relation to the activity.

You can read the notice [here](#).

5.3 CBUAE Imposes a Financial Sanction on Bank

On 2 August, the CBUAE pursuant to Article 14 of the Federal Decree Law No. (20) of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations, imposed a financial sanction on a bank operating in the UAE. The bank has not been named but was found to be deficient in AML/CFT policies and procedures. A fine of AED 5,800,000 was imposed.

You can read the notice [here](#).

5.4 CBUAE Revokes Licence

On 22 August, the CBUAE pursuant to Article 137(1) of the Decretal Federal Law No. (14) of 2018 on the Central Bank and Organisation of Financial Institutions and Activities, revoked the licence of Muthoot Exchange and struck its name off the register. During an examination, the CBUAE found that Muthoot Exchange failed to maintain its paid-up capital and equity to the level required.

You can read the notice [here](#).

5.5 DFSA Issues Decision Notice

On 19 August, the DFSA issued a Decision Notice against Mr Peter Georgiou. A fine of US\$980,020 was imposed on Peter Georgiou for misleading and deceptive conduct and for knowingly being involved in breaches of DFSA regulations by his former employer Mirabaud (Middle East) Limited ('MMEL').

Moreover, Peter Georgiou has been prohibited from holding office or being an employee of a DFSA Authorised Firm. He is restricted from performing any function in connection with the provision of financial services in or from the DIFC.

During the period of June 2018 to October 2021, Peter Georgiou:

- knowingly provided misleading information to MMEL's compliance team and withheld relevant information in order to circumvent MMEL's anti-money laundering systems and controls such as misleading customer due diligence
- knowingly sent a forged deceptive and misleading email to a client
- provided false, misleading or deceptive information to the DFSA during an interview.

In July 2023, the DFSA fined MMEL US\$3,000,000 for inadequate AML systems and controls. Peter Georgiou had been knowingly involved in MMEL's failure to:

- conduct customer due diligence on existing customers at appropriate times, particularly when there was suspicion of money laundering
- perform adequate assessments of clients' financial knowledge and experience when classifying them as Professional Clients.

You can read the notice [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.

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 - 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.