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# Regulatory Update

## Middle East, December 2024

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# 1. DIFC AND DFSA LATEST DEVELOPMENTS

## 1.1 DFSA Issues Feedback Statement on Consultation Paper No 159

On 20 December 2024, the Dubai Financial Services Authority (“DFSA”) issued a feedback Statement on Consultation Paper No 159 (Interest Rate in the Banking Book and Risk Appetite Statement) which was published in May 2024. The relevant rulemaking instrument containing the final amendments to the PIB Rules will come into force on 1 April 2025 and 1 January 2026.

After considering the public responses, the DFSA updated its Risk Appetite Statement proposals including expectations for branches to the meet the requirements, and a clarification of the scope of application for firms in categories 1,2,3A and 5.

Key updates and clarification included the following:

- Risk Appetite Statement
  - branches must ensure they have, at all times, liquid assets and access to capital resources aligned with the nature size, and complexity of their operations
  - amendments to the scope of application for the overall risk appetite obligation, thereby authorised firms in categories 1,2,3A or 5 will be required to produce an overarching risk appetite statement.
- Basel III standard on Interest Rate Risk in the Banking Book
  - only domestic firms in category 1 will be subject to the updated Basel standard on Interest Rate Risk in the Banking Book (“IRRBB”)
  - domestic firm in category 2 and branches in categories 1 or 2 will continue to adhere to the existing regime and the updated requirements of systems and controls for IRRBB
  - the requirement for a firm to notify the DFSA if its economic value declines by more than 15% of its Tier 1 capital has been disapplied for domestic firms in category 2 and branches in categories 1 or 2.
- commencement dates
  - the rules on risk appetite statement will come into force on 1 April 2025
  - the IRRBB rules will come into force on 1 January 2026.

You can review the feedback Statement and the changes made to relevant rules here.

## 1.2 DFSA Publishes Consultation Paper on Miscellaneous Changes

On 12 December 2024, the DFSA published Consultation Paper 163. The paper seeks public comment on a series of proposals related to minor policy updates and amendments to update cross-references, terminology and typing corrections in the DFSA Rulebook.

A summary of the key updates are as follows:

- proposed changes to the PIB Rulebook
  - moving the definition of “investor interest” from guidance note 2 to PIB Rule 4.9.4 into PIB Rule 4.9.4 in order to provide legal certainty on the requirement
  - proposal to allow for the application of a lower risk weight multiplier for unhedged borrowers
  - updates to the regulatory reporting schedule in PIB Rule A2.4.1 Table 1 by adding two new forms to facilitate the reporting of information related to the updated capital requirements for settlement risk on a standalone basis, and the new capital requirements relating to credit valuation adjustment risk to capture the capital requirement calculation for credit valuation adjustment

    - amend PIB Rule A9.2.3, which sets out the eligibility requirements for an asset to qualify as a High-Quality Liquid Asset ("HQLA"), in line with the Basel Committee on Banking Supervision's ("BCBS") standard to clarify that the requirement can be met via outright sale or via a repurchase agreement and make consequential changes to PIB Rule 9.3.8 and Guidance notes 2 and 3 to PIB Rule A9.2.4.
- proposed changes to the GEN Rulebook
    - update Guidance note 3 to GEN Rule 3.2.1 to refer to the marketing material in COB Rule 3.2.4(2)
    - amend the diagram on the different classification of Tokens in Guidance note 3 in GEN section A2.5.
- proposed changes to the COB Rulebook
    - the addition of "Operating a Crowdfunding Platform" to the list of exclusions from the suitability assessment requirement list in COB 3.4.1
- proposed changes to the FER Rulebook
    - shifting the annual fee payment date for registered auditors from 1 March to 31 March of the calendar year to which the fee applies
    - introduction of fees for External Fund Managers ("EFMs"), including a fee of US$20,000 to process a declaration from an EFM, and annual fee ranging between US$2,000 and US$10,000 depending on the type of domestic funds managed by the EFM.
- other amendments
    - update cross-references and corrections to rules within the DFSA rulebook, including, but not limited to the following modules: Authorised Market Institutions ("AMI"), Anti-Money Laundering ("AML"), Fees Module ("FER"), and General ("GEN").

You can read the consultation paper here.

## 1.3 DIFC Authority Coordinated Tax Exemption Application

The Dubai International Financial Centre ("DIFC") Authority recently coordinated applications to the United Arab Emirates ("UAE") Ministry of Finance for entities seeking Qualifying Public Benefit Entity ("QPBE") status under Article 9(1) of the UAE Tax Law. To qualify, entities must operate exclusively for purposes such as religious, charitable, scientific, or public benefit, and meet additional criteria, including being named as a QPBE in a Cabinet Resolution.

The DIFC Authority facilitated submissions for eligible DIFC entities to be assessed for inclusion, with the deadline for applications having passed on 18 December 2024. While the DIFC Authority supported the process, it emphasised that application success is not guaranteed.

You read the full article here.

## 1.4 DIFC Announces Decarbonisation Strategy

On 5 December 2024, the DIFC announced several updates at the 2nd edition of the Future Sustainability Forum which brought together over 3,000 attendees, including 500 global investors and 100 speakers, to explore solutions for achieving net-zero targets and advancing sustainable finance. The DIFC launched its Decarbonisation Strategy, committing to Net Zero by 2045—five years ahead of the UAE's national target—focusing on emissions reduction across operations, construction, and supply chains, without relying on offsets or carbon trading.

The forum also emphasised the UAE's leadership in green finance, with US$ 10.7Bn in green bond issuances. Building on its Sustainable Finance Catalyst, the DIFC aims to mobilize US$ 100Bn in sustainable finance by 2030, further integrating sustainability initiatives into the 2025 Dubai FinTech Summit.

Further information

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

You can read the full article here.

## 2. ADGM AND FSRA LATEST DEVELOPMENTS

### 2.1 The Financial Services Regulatory Authority Publishes Consultation Paper No.11 of 2024

On 5 December 2024, the Financial Services Regulatory Authority ("FSRA") published Consultation Paper No.11 of 2024 setting out proposed amendments to its regulatory framework for firms conducting regulated activities involving Virtual Assets ("VA") in the Abu Dhabi Global Market ("ADGM"). The paper seeks feedback on criteria for accepting Fiat-Referenced Tokens ("FRTs") issued outside the ADGM and proposes expanding the scope of investments for Venture Capital Funds ("VC" Funds) within the ADGM.

A summary of the proposed changes includes, but are not limited to, the following:

- accepted Virtual Assets ("AVAs") assessment criteria
  - the FSRA to replace the current FSRA-led AVA approval model with a self-assessment and notification process
  - each VA Firm would also be required to notify the FSRA and provide information describing the due diligence process that the VA Firm has conducted in respect of that VA
  - VA firms will be required to continuously monitor its firm-specific suite of AVAs to ensure that such AVAs continue to satisfy AVA assessment criteria.
- revisions to capital requirements for VA Firms
  - the FSRA proposes that the relevant capital requirements remain in Market Infrastructure Rules ("MIR") 3.2 and that the additional capital buffer would generally not be applied
  - for VA Firms Providing Custody, the FSRA proposes a capital requirement of the higher of a Base Capital Requirement ("BCR") of US$ 250,000 or an Expenditure Based Capital Minimum ("EBCM") of 6 months' Annual Audited Expenditure ("AAE").
- revision of fees
  - the FSRA proposes to charge the current single supplemental application or annual supervision fee regardless of the number of Regulated Activities undertaken in relation to VAs.
- future considerations
  - the FSRA is currently considering the proportionality of the prudential framework applicable to Category 3 and 4 firms more generally, including applicable capital requirements.
- prohibited products
  - the FSRA proposes including an express prohibition in the Financial Services and Market Regulations ("FSMR") on the use of algorithmic stablecoin tokens, privacy tokens, or any digital asset employing similar technology in carrying on any Regulated Activity in the ADGM.

You can read the consultation paper here. Comments are welcome until 31 January 2025 and can be submitted by email to fsra.consultation@adgm.com.

## 2.2 FSRA Introduces a Regulatory Framework Concerning Fiat-Referenced Tokens

On 5 December 2024, the FSRA has introduced a regulatory framework for issuing Fiat-Referenced Tokens (“FRTs”). This move expands the range of digital assets that can be offered in a regulated environment. The framework was formalised after extensive industry engagement and feedback received on Consultation Paper No.7 of 2024. The framework introduces robust standards for FRT issuers that are designed to ensure financial stability and customer protection.

Key components of the new framework include:

- minimising the risks of variability in the value of FRTs by setting strict requirements on the constituents
- enhanced governance and integrity by implementing periodic independent attestation and stress testing obligation
- enhanced transparent disclosure requirements that include detailed ongoing disclosures covering operational aspects, risks and rights of FRT holders
- prudential safeguards, by setting clear capital adequacy requirements and business restrictions
- additional security to FRT holders through setting redemption rights to ensure that FRT holders have the right to redeem their tokens at par value within defined timeframes.

You can read the full article here.

## 2.3 ADGM Announces Establishment of Insurance Association

On 12 December 2024, the ADGM announced the establishment of the Insurance Association, a key milestone for advancing the insurance and reinsurance sectors in the ADGM and the UAE.

This initiative aims to:

- foster collaboration among industry stakeholders
- advance professional standards and best practices
- provide a unified voice for the sector, engaging with regulators and policymakers.

Details regarding the Association's structure, membership opportunities and activities will be announced in the near future.

You can read the full article here.

## 2.4 ADGM Signs MoU with UAE Ministry of Interior

On 20 December 2024, the FSRA announced that it has signed a Memorandum of Understanding (“MoU”) with the UAE Ministry of Interior to enhance coordination in combating financial crime related to virtual assets.

This agreement aims to:

- facilitate the exchange of information
- strengthen risk mitigation frameworks
- support the national strategy to safeguard the financial system against evolving threats in the digital assets landscape.

You can read the full article here.

## 2.5 FSRA Highlights ESG-Focused and Sustainability-Related Initiatives

On 12 December 2024, the FSRA announced that it showcased its sustainability-related initiatives at the Abu Dhabi Sustainable Finance Forum (“ADSFF”) 2024. This included the issuance of guidance for Environmental, Social, Governance (“ESG”) focused investment vehicles, reinforcing the ADGM’s broader vision of sustainable finance, helping investors, issuers and market participants drive positive ESG outcomes.

You can read the full article 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 Ministry of Finance Announces Amendments to Corporate Tax Law

On 9 December 2024, the UAE Ministry of Finance has announced amendments to Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, introducing a Domestic Minimum Top-up Tax (“DMTT”) and proposing tax incentives to support growth and innovation.

Key amendments included the following:
- introduction of the Domestic Minimum Top-up Tax which will be effective from 1 January, 2025, for multinational enterprises with global revenues of EU€ 750Mn or more
- introducing a Research and Development (“R&D”) Tax Incentive that offers 30-50% refundable tax credit for qualifying R&D activities starting 1 January 2026
- a refundable tax credit for high-value employment activities is being considered to promote sustainable growth and innovation.

You can read the full announcement here.

## 3.2 Dubai Authorities Dismantle Two Major International Money Laundering Networks

On 27 December 2024, the Government of Dubai Media Office announced that the Dubai authorities dismantled two major international money laundering networks, uncovering illicit operations worth over AED 641Mn. The first network laundered AED 461Mn through front companies in Dubai, using forged documents and smuggling funds by falsely declaring the funds as proceeds from legitimate trade. The second network facilitated money laundering of AED 180Mn via unlicensed cryptocurrency intermediaries, involving proceeds from drug trafficking, fraud and tax evasion.

You can read the full article here.

## 3.3 CBUAE Signs MoU with The National Bank of Tajikistan

The Central Bank of the UAE (“CBUAE”) and the National Bank of Tajikistan (“‘NBT”’) have signed a MoU to strengthen bilateral ties and establish a framework for cooperation in banking and financial systems. The MoU was signed by His Excellency, Khaled Mohamed Balama, Governor of CBUAE, and His Excellency Tolibzoda, Firdavs Nazrimad, Chairman of NBT.

The MoU focuses on several key areas of cooperation, including the following:

- CBUAE and NBT will share information and expertise to enhance their banking and financial systems
- CBUAE and NBT will make efforts to develop efficient banking transactions and improve banking laws and regulations
- CBUAE and NBT agreed to the exchange of technical expertise to support the development of the banking sector.

You can read the full article here.

## 3.4 UAE and US Strengthen Relations in Combating Financial Crimes

On 12 December 2024, the UAE and the United States ("US") strengthened their partnership in combating financial crime. A high-level UAE delegation, led by the General Secretariat of the National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illicit Organisations Committee ("GS-NAMLCFTC"), conducted a four-day mission in Washington, DC. The GS-NAMLCFTC delegation met with US agencies, including the Departments of Treasury, Justice, and State, the Internal Revenue Service Criminal Investigation unit, Financial Crimes Enforcement Network, and the Federal Bureau of Investigation.

Discussions focused on enhancing technical cooperation, developing international partnerships and reinforcing regulatory frameworks to address complex illicit financial flows. The UAE delegation also engaged with the International Monetary Fund and the World Bank, emphasising the importance of the UAE-US partnership in strengthening international financial and economic security. The mission included a roundtable discussion with private sector stakeholders, highlighting the UAE's national strategy and priority projects in combating financial crime.

You can read the full article here.

## 3.5 UAE and Italy Sign MoU in Combating Financial Crime

On 27 December 2024, the UAE GS-NAMLCFTC and the Italian Guardia di Finanza signed a MoU to enhance their strategic partnership in combating financial crime.

The MoU aims to:

- strengthen cooperation to counter financial crime threats such as money laundering and tax evasion through the exchange of expertise, best practices and coordinated efforts between law enforcement agencies and AML authorities
- enhance the strategic and operational cooperation between the UAE and Italy, particularly in international cooperation, extradition of criminals and combating illicit financial flows.

You can read the full article here.

Further information

For any questions or concerns regarding these updates, please contact Mohsin Ismail.

# 4. INTERNATIONAL UPDATES

## 4.1 Basel Committee Publishes Guidelines for Counterparty Credit Risk Management

On 11 December 2024, the Basel Committee on Banking Supervision released final guidelines to address long-standing weaknesses in counterparty credit risk ("CCR") management.

Key practices included the need to:

- conduct thorough due diligence of counterparties during onboarding and on an ongoing basis
- develop strategies to manage counterparty exposures effectively
- use a variety of metrics to measure, control and limit CCR
- establish a strong governance framework for CCR management.

You can read the publication 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 12 December 2024, the FSRA imposed a financial penalty of US$ 504,000 on Arna Capital Limited ("ACL") under section 232 of the Financial Services and Markets Regulation 2015. As ACL agreed to settle the amount, it qualified for a discount of 20% on the financial penalty.

The FSRA's investigation did not identify any actual cases of money laundering. However, it identified that ACL had violated several specific requirements in the FSRA's Anti-Money Laundering and Sanctions Rules and Guidance Rulebook, which included:

- inadequate policies, procedures, systems and controls to ensure compliance with the AML Rulebook
- insufficient risk assessment and improper AML risks ratings
- inadequate record keeping of customer due diligence ("CDD")
- infrequent assessment of CDD information relative to customer risk
- inadequate monitoring of customers' deposit and withdrawal transactions
- insufficient systems and controls to detect suspicious activity for potential financial crime apart from market abuse.

ACL and its senior management fully cooperated with the FSRA's enquiries and have taken steps to address each of the issues identified by the FSRA.

You can read the full notice here.

Further information

For any questions or concerns regarding these updates, please contact Mohsin Ismail.

## ABOUT WAYSTONE COMPLIANCE SOLUTIONS

Waystone's 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 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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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.