

What Recent DFSA Enforcement Activity Teaches Us About Brokerage Risk

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Recent enforcement activity by the Dubai Financial Services Authority ('DFSA') serves as a timely reminder for firms operating in the Dubai International Financial Centre ('DIFC') that regulatory risk often arises not from intent, but from execution.

The matters highlighted in the enforcement action were not linked to novel products or complex rule interpretation. Rather, they stemmed from how premiums, deductions, brokerage, and documentation were handled in practice, and whether firms could clearly demonstrate consistency, transparency, and appropriate oversight of all parties.

For many insurance and reinsurance firms, this highlights a critical point: the greatest regulatory risks often sit within day-to-day operations and controls, rather than in strategy or interpretation.

When “how it works in practice” drifts from policy

A recurring theme in enforcement action is the disconnect between written policies and day-to-day practices. While many firms maintain robust policies on paper, over time operational realities can diverge:

- exceptions become routine;
- documentation standards weaken under commercial pressure;
- controls rely heavily on experienced individuals rather than consistent processes; and
- oversight may assume effectiveness in the absence of issues being raised.

From a regulatory perspective, these are not minor operational shortcomings. When such gaps persist across transactions, they represent weaknesses in systems and controls.

Disclosure and documentation are conduct risks, not admin tasks

In brokerage and Managing General Agent ('MGA') operating models, conduct risk is often embedded in the mechanics of execution. This includes how premiums are presented to stakeholders, how deductions and brokerage are disclosed and justified, how placement documentation is prepared and maintained, and whether records provide a clear and complete view of each transaction.

A key indicator of control effectiveness is whether an independent third party, unfamiliar with the transaction, could understand the numbers, remuneration, and deductions based solely on the documentation available. Where that is not possible, it may signal weaknesses in the control framework and increased regulatory risk.

Governance that works under pressure

Enforcement outcomes consistently demonstrate that governance frameworks must remain effective under pressure and not only during stable or favourable business conditions.

Effective governance is typically evidenced by active challenge from senior management, meaningful second-line oversight and escalation, clear documentation of decisions and underlying rationale, and robust tracking of issues through to resolution. Where governance exists in form but not in substance, regulatory risk increases sharply.

Practical actions firms should be considering now

For DFSA-authorized insurance and reinsurance firms, recent enforcement activity provides a prompt to revisit core controls:

- **test premium and brokerage transparency:**
sample recent files and confirm the same economic story is visible to all relevant parties
- **strengthen document controls:**
ensure clear rules, version control, and audit trails are in place for document creation, amendment, and approval; avoiding informal or “clean” versions
- **re-validate policy adherence:**
where policies set limits, approvals or review steps, confirm they are followed and evidenced in practice
- **refresh governance visibility:**
board and committee minutes should show challenge, escalation and follow-through, not just attendance
- **be ready to escalate early:**
when something goes wrong, early internal investigation, remediation and engagement materially change outcomes

Turning regulatory signals into resilience

Firms that manage regulatory risk effectively treat enforcement action elsewhere as an early warning, rather than a distant example. This approach typically involves conducting targeted gap analyses against current regulatory expectations, updating policies and procedures where practice has diverged, delivering focused training in high-risk areas such as disclosures and documentation, and ensuring that Compliance and Money Laundering Reporting Officer (‘MLRO’) oversight is sufficiently independent, empowered, and informed. While some firms build this capability internally, others enhance it through outsourced compliance, MLRO, or advisory support, bringing experienced, independent challenge without disrupting day-to-day operations.

In Conclusion

Recent DFSA enforcement activity reinforces a simple principle: effective control is demonstrated through execution, not merely by holding a licence.

Firms that can clearly evidence how decisions were made, how documents were produced, and how risks are governed are significantly better positioned to withstand regulatory scrutiny, particularly in adverse scenarios.

Importantly, this level of discipline does not hinder growth; it supports it by building resilience, credibility, and long-term sustainability.

How Waystone can support firms

Waystone supports insurance and reinsurance firms in strengthening their regulatory resilience by translating regulatory expectations into practical, workable controls. Through a combination of regulatory gap analysis, policy and procedure enhancement, targeted reviews of documentation and brokerage practices, and ongoing compliance and MLRO support, Waystone helps firms identify where practice may have drifted from policy and address issues before they crystallise into enforcement risk.

For further details, please contact our Middle East Compliance Solutions Team.

