Compliance Solutions

Regulatory Update

Middle East, August 2026

This edition includes – DFSA Holds Webinar on Proposed Changes to the CIR Regime, DFSA Issues Soft Consultation on EPRS and PRU, CMA Issues AI Survey,

Issued 7 September 2026

Table of Contents

DIFC and DFSA latest developments

1.1 DFSA Publishes 2026 AML Return Template

On 8 August, the Dubai Financial Services Authority ('DFSA') published the 2026 AML Return template via the DFSA e-Portal. All firms are required to complete and submit the applicable AML Return through the DFSA e-Portal by 30 September 2026. Firms with any queries are advised to contact the DFSA through the DFSA e-Portal.

1.2 DFSA Holds Webinar on Proposed Changes to the CIR Regime

On 11 August, the DFSA held a webinar on Consultation Paper 173 "Proposals to enhance the DFSA's Collective Investment Fund framework". The webinar outlined a significant proposed overhaul of the Dubai International Financial Centre ('DFSA') funds regime, with the DFSA signalling a shift towards a more principles-based, proportionate, and commercially flexible framework, particularly for Qualified Investor Funds ('QIFs') and Exempt Funds, while maintaining core investor protection requirements.

The DFSA noted substantial growth in the DIFC asset management sector, including:

- asset management firms increasing from 148 to 316 since 2020
- clients increasing from 15,000 to 67,000 since 2022
- DIFC asset management employees increasing from 1,900 to 3,506
- the number of DIFC funds increasing from 135 to 318 between Q4 2023 and August 2026.

The DFSA considers this growth indicative of a sufficiently mature market capable of operating under a less prescriptive regulatory framework.

Key proposed regulatory changes include:

- removal of specialist fund categories
  - the DFSA proposes removing many specialist fund classifications for QIFs and Exempt Funds, including private equity, venture capital, hedge, property, credit, money market, crypto token and investment token funds
  - the focus would shift to enhanced disclosures, risk management obligations, borrowing controls, and oversight of prime broker arrangements
  - the DFSA acknowledged that traditional fund classifications no longer reflect the prevalence of hybrid and multi-strategy fund structures
- liberalisation of credit fund rules
  - removing the current 90% credit asset exposure requirement
  - removing most specialist credit fund rules
  - retaining key safeguards, including credit risk management policies, restrictions on credit provision, and stress testing requirements
  - reducing the minimum capital requirement from US$ 140,000 to US$ 40,000
  - eliminating specific credit fund application and annual fees
- clarification of managing assets permissions
  - the DFSA proposes clarifying that a Managing Assets licence already permits activities such as arranging deals in investments, and dealing in investments as agent, where those activities are undertaken as part of delegated investment management services
- venture capital fund seeding
  - the DFSA proposes extending an existing exemption that allows fund managers to make seed investments without requiring a Dealing as Principal licence
  - currently available to private equity funds, this exemption would also apply to venture capital funds
- removal of the external fund manager regime

    - the DFSA proposes abolishing the External Fund Manager ('EFM') regime, which currently permits non-DIFC fund managers to establish and manage DIFC funds
    - the regulator cited limitations in its supervisory oversight of EFMs and increasing demand from firms seeking full DFSA authorisation
    - this is one of the most strategic reforms proposed in CP173
- employee co-investment arrangements
    - the consultation proposes allowing certain employees involved in investment management and investment advisory activities to invest in private funds either directly or through employee investment vehicles
- extension of first annual reporting period
    - the DFSA proposes extending a fund's first accounting period from 12 months to 18 months, thereby delaying the requirement for the first annual report and reducing operational burden for newly established funds.

Consultation Paper 173 represents one of the most significant updates to the DIFC funds regime in recent years, with the DFSA seeking to reduce prescriptive requirements, simplify fund structures, facilitate private credit and venture capital activity.

1.3 DFSA and HKMA To Co-Host Third Climate Finance Conference

On 10 August, the Hong Kong Monetary Authority ('HKMA') and the DFSA announced that the third HKMA-DFSA Joint Climate Finance Conference will be held in Hong Kong on 10 September 2026.

The conference is a flagship initiative established by the HKMA and DFSA to support the continued development of climate finance and sustainable investment flows between Asia and the Middle East. The 2026 conference will be held under the theme "Driving Transition in a Changing World" and will form part of Hong Kong Green Week 2026.

Supported by Hong Kong Exchanges and Clearing Limited ('HKEX') and Nasdaq Dubai, the event is expected to bring together corporate leaders, investors, financial institutions and policymakers to discuss the financing solutions, partnerships and innovations required to support a credible transition to a lower-carbon economy amid evolving global economic and geopolitical conditions.

You can read the DFSA's announcement in full here.

1.4 DFSA Issues Liquidity Survey

On 13 August, further to its Dear SEO Letter dated 26 March "Collective Investment Funds: Liquidity Risk Management, Redemption Pressures and Reporting", and the release of Version 1 of the Funds Liquidity Survey on 10 April 2026, the DFSA issued an email to selected Authorised Firms managing collective investment funds announcing Version 2 of the survey.

Firms were required to complete and submit the revised survey on a standalone basis, regardless of whether Version 1 had previously been submitted, and to file the return via the DFSA e-Portal by 31 August 2026, including where no liquidity-risk management issues or redemption pressures had arisen during the reporting period.

1.5 DFSA Issues Marketing and Selling of Foreign Funds Survey

On 13 August, further to the Marketing and Selling of Foreign Funds Survey (Version 1) issued on 10 April 2026, the DFSA issued an email to selected Authorised Firms announcing Version 2 of the survey.

Firms that market or sell foreign funds under Article 54 of the Collective Investment Law were required to complete and submit the revised survey on a standalone basis, irrespective of whether Version 1 had already been submitted, and to file their responses via the DFSA e-Portal by 31 August 2026.

The updated survey sought information on:

- whether the firm has experienced any increased, significant or unexpected client redemption requests, including details of the affected funds, managers, jurisdictions, relevant periods and whether redemption requests could be met
- whether the firm has received any complaints relating to funds marketed or sold, particularly concerning liquidity or redemption requests, including details of the affected funds and the nature of the complaints
- whether the firm is aware of any foreign fund managers having activated liquidity management tools in respect of funds marketed or sold by the firm.

1.6 DFSA Publishes Soft Consultation on EPRS and PRU updates

On 17 August, the DFSA issued via email a soft consultation to Finance Officers and Compliance Officers of DFSA Authorised Firms regarding proposed updates to the Electronic Prudential Reporting System (‘EPRS’) forms and the Prudential - Investment, Insurance Intermediation and Banking Risk (‘PRU’) Module, which are intended to take effect for the Q3 2026 reporting period.

The consultation is part of the DFSA's ongoing prudential framework enhancements and follows the publication of a broader Consultation Paper No. 174 published on 9 July covering miscellaneous rulebook changes, including amendments affecting Prudential Investment Business (‘PIB’) reporting requirements.

The proposed changes are primarily aimed at strengthening risk-based prudential reporting, improving regulatory oversight, and aligning reporting requirements more closely with firms' activities and risk exposures.

The DFSA is proposing the following key enhancements:

- introduction of a new Activity Based Capital Requirement (‘ABCR’) form
- introduction of a new Safeguarded Assets form
- updates to the Operational Risk Capital Requirement form
- revises reporting requirements relating to operational risk capital calculations
- updates to the Interest Rate Risk in the Non-Trading Book (‘IRRBB’) form
- reorganisation of Capital Resources and Capital Requirements forms.

Firms should assess the operational, data, reporting and systems impacts of the proposed changes, particularly those relating to the new ABCR and Safeguarded Assets reporting forms. Finance, Regulatory Reporting, Compliance and Risk teams should review the draft forms and PRU amendments to identify any implementation challenges and provide feedback where necessary.

You can read the DFSA’s Consultation Paper 174 in full here. The DFSA welcomed responses to the soft consultation by 30 August 2026.

1.7 DFSA Issues an Alert

On 17 August, the DFSA warned of a firm-cloning scam in which fraudsters impersonated Menhir Capital Management Limited, a DFSA-authorised firm. The scammers established a bogus website (www.masiju.com) and email address (info@masiju.com), while misusing the firm's name, DIFC address and regulatory reference number to lend credibility to their scheme. The regulator reminded investors that Menhir Capital's genuine website is www.menhircapital.ae and its official email domain is @menhircapital.ae, urging the public not to engage with the fraudulent channels and to verify firms through the DFSA Public Register before sending funds.

You can read the DFSA’s alerts in full here.

ADGM and FSRA latest developments

2.1 FSRA Issues IEMS Notice

On 10 August, the Financial Services Regulatory Authority (‘FSRA’) issued FCCP Notice No. 140 of 2026 regarding the implementation of the Integrated Enquiries Management System (‘IEMS’), following instructions received from the UAE Financial Intelligence Unit (‘UAEFIU’). The notice was subsequently circulated to firms via email.

The notice provides an update on the phased integration of regulated entities into the IEMS platform, which is operated by the UAEFIU to facilitate information requests and enquiries relating to anti-money laundering and counter-terrorist financing supervision.

The FSRA confirmed that:

- Financial Institutions (‘FIs’) and Virtual Asset Service Providers (‘VASPs’) recently licensed by the FSRA will be added to the IEMS by the UAEFIU
- Non-Financial Institutions will be incorporated during a subsequent phase, with affected entities to be formally notified in due course.

The notice directed firms requiring further information or clarification regarding IEMS integration to contact the UAEFIU directly through its designated support channels.

The update forms part of the UAEFIU's ongoing efforts to enhance regulatory cooperation, information-sharing and supervisory effectiveness across the UAE's AML/CFT framework. Firms should monitor future communications regarding onboarding requirements and any actions necessary to facilitate their integration into the IEMS platform.

2.2 ADGM Publishes Alert Regarding Misleading Claims by Vibrafund FZLLC

On 10 August, the Abu Dhabi Global Market Registration Authority (‘ADGM RA’) and FSRA issued a public alert concerning Vibrafund FZLLC (‘Vibrafund’), which had purportedly claimed to be registered with ADGM and authorised by the FSRA to conduct digital asset-related activities.

ADGM clarified that Vibrafund is not incorporated, registered, licensed or authorised within ADGM and has never been granted permission by the FSRA to conduct financial services activities.

The regulators expressed concern that misleading claims regarding regulatory status may expose investors to financial risk by creating the false impression that an entity is subject to ADGM oversight and protections. ADGM reminded market participants to independently verify the regulatory and licensing status of firms through its public registers before engaging in any business or investment activity.

The ADGM further noted that falsely representing an entity as being registered or licensed in the ADGM may result in regulatory enforcement action, including financial penalties.

You can read the ADGM’s alert in full here.

2.3 FSRA to Host Mandatory AML/CFT workshop in September

On 14 August, the FSRA announced via email it will host a mandatory AML/CFT and sanctions outreach session for regulated firms and designated non-financial businesses and professions (‘DNFBPs’) on 15 September.

The programme will cover:
- key observations from 2025 AML return submissions and reminders of AML/CFT obligations
- sectoral risk assessment findings
- cyber-risk management developments
- updates on the FATF's UAE assessment and its outcomes
- findings from supervisory onsite inspections and thematic reviews
- developments relating to goAML reporting and the Integrated Enquiry Management System ('IEMS')
- revisions to the UAE's AML/CFT and proliferation financing national risk assessments
- legal persons risk assessment updates
- changes relating to ultimate beneficial ownership ('UBO') and nominee arrangements.

Relevant Persons were encouraged to register one representative by 25 August 2026, with the FSRA indicating that only the first nominee submitted by each entity will be accepted.

2.4 FSRA and GCGRA Sign MoU

On 14 August, the FSRA and the UAE's General Commercial Gaming Regulatory Authority ('GCGRA') signed a memorandum of understanding ('MoU') establishing a framework for regulatory cooperation and information sharing. The agreement is intended to support the authorities' respective supervisory functions and strengthen coordination on matters of mutual interest.

Under the MoU, the regulators will cooperate on:
- supervisory coordination
- regulatory information sharing
- policy dialogue
- investigative assistance
- broader regulatory engagement, subject to applicable legal and confidentiality requirements.

The GCGRA is the UAE's federal regulator for commercial gaming activities, including lottery operations and any future licensed gaming activities. Established in 2023, it is responsible for developing and overseeing the country's regulatory framework for gaming, with a focus on integrity, consumer protection and compliance with international standards.

The MoU is designed to support a transparent and internationally aligned regulatory environment, enhance regulatory certainty for market participants, and reinforce confidence in the UAE's regulatory framework.

You can read the FSRA's announcement in full here.

2.5 FSRA to Hold Policy and Legal Legislative Update

On 25 August, the FSRA invited stakeholders to attend its Policy and Legal Legislative Update Session, which will take place on 17 September 2026. The session forms part of the FSRA's ongoing engagement with stakeholders and aims to provide an overview of recently published regulations, consultation papers, and key regulatory priorities for the coming year.

The key agenda items include:
- opening remarks and a review of the FSRA's key accomplishments during 2025
- updates on the Funds and Asset Management regulatory framework
- developments relating to Digital Assets and Decentralised Finance ('DeFi')
- enhancements to align the FSRA framework with the International Organization of Securities Commissions ('IOSCO') international standards
- proposed AML framework enhancements
- updates to the insurance regulatory framework

- an overview of the FSRA's 2027 legislative agenda
- dedicated Q&A sessions to allow stakeholder engagement and discussion.

Further information

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

Middle East regulatory updates

3.1 CMA Publishes AI survey

On 6 August, the UAE Capital Market Authority ('CMA') issued a survey to licensed entities seeking information on the adoption and use of artificial intelligence ('AI'). The initiative forms part of a coordinated effort among UAE financial regulators to assess AI adoption trends across the financial sector and support the development of a harmonised supervisory framework.

The survey seeks information on:

- the extent to which firms currently use or are adopting AI technologies
- AI governance arrangements, including oversight, accountability, and internal controls
- risk management frameworks relating to the use of AI
- firms' views on regulatory expectations and the future regulation of AI within the financial sector
- any challenges, opportunities, and practical considerations associated with AI implementation.

The CMA stated that responses will help inform its future supervisory and regulatory approach to AI and may be shared with other UAE financial regulators in an aggregated or anonymised format.

Firms have been asked to ensure that responses accurately reflect their AI use and governance arrangements as of the date of submission. All responses will be treated as confidential and handled in accordance with applicable laws and the CMA's information management policies.

Licensed entities were required to submit their responses via the online survey by 20 August 2026.

3.2 CMA Publishes Several Warnings

In August, the CMA issued a series of investor warnings relating to unauthorised persons and entities offering or purporting to offer regulated financial services. The warnings covered several unlicensed firms, an unauthorised individual, and unidentified entities impersonating CMA-licensed firms through fraudulent websites, forged documents, and misleading communications. The CMA reiterated that investors should verify the regulatory status of any financial services provider through the CMA's official website before entering into agreements or transferring funds and reminded investors that it accepts no liability for transactions conducted with unauthorised parties.

The notices highlight the ongoing risk of unauthorised financial service providers and impersonation scams targeting investors, reinforcing the importance of regulatory verification before engaging with any financial institution or intermediary.

You can read the CMA's warnings in full here.

3.3 NAMLCFTC Issues Decision Regarding High-Risk Jurisdictions

On 21 August, the General Secretariat of the National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organisations Committee (‘GS-NAMLCFTC’ or the ‘National Committee’) approved an update to the specific countermeasures that FIs, DNFBPs, VASPs, and Non-Profit Organisations (‘NPOs’) must apply when dealing with high-risk jurisdictions. The Committee also reiterated the corresponding obligations applicable to all entities. This update was also communicated publicly by the FSRA through FSRA/FCCP/147/2026, which summarised the National Committee’s Decision and outlined the required actions for regulated firms.

The Committee resolved to implement the following actions:

- adopt the FATF list of high-risk jurisdictions for money laundering, terrorist financing, and proliferation financing, in line with the FATF public statement on jurisdictions subject to a Call for Action (the ‘Blacklist’), and approved the application of the countermeasures set out in the Interpretive Note to Recommendation 19
- adopt the FATF list of Jurisdictions under Increased Monitoring (the ‘Grey List’), together with the requirements for FIs, DNFBPs, VASPs, and NPOs to implement procedures that may include enhanced due diligence measures referenced in the Interpretive Note to Recommendation 10 and Article (4) of the 2019 Cabinet Decision (as amended by Cabinet Resolution No. 24 of 2022), proportionate to the level of risk posed by these jurisdictions
- agree to publish on its website the URL links to both the Blacklist and Grey List.

All FIs, DNFBPs, VASPs, and NPOs in the UAE are reminded that they must regularly review the most current FATF and Committee lists and incorporate this information when applying countermeasures and enhanced due diligence proportionate to the level of risk. These entities must also reassess their due diligence measures for countries removed from the FATF lists, ensuring alignment with the updated risk profile.

You can read the FATF list of countries under increased monitoring here and the FSRA notice here

Further information

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

International updates

4.1 MENAFATF Publishes 2025 Annual Report

On 6 August, the Middle East and North Africa Financial Action Task Force (‘MENAFATF’) published the 2025 Annual Report. The MENAFATF is a voluntary and cooperative regional organisation established by the governments of its member countries to combat money laundering and terrorist financing. As an independent body, MENAFATF works closely with the Financial Action Task Force (‘FATF’) and other international organisations to promote the implementation of international AML/CFT standards across the region. Its primary objective is to support member countries in strengthening their AML/CFT frameworks and ensuring compliance with the FATF Recommendations and relevant United Nations Security Council resolutions.

The 21st MENAFATF Annual Report for 2025 highlights the organisation's progress in implementing its 2025-2027 Strategic Plan, with a particular focus on preparing for and commencing the third round of mutual evaluations across member jurisdictions. During 2025, MENAFATF conducted mutual evaluations of Tunisia, Mauritania, and the United Arab Emirates, discussed and adopted nine enhanced follow-up reports, and reviewed a number of self-assessment reports from member countries, demonstrating the region's continued commitment to strengthening compliance with international AML/CFT/CPF standards.

The report also highlighted MENAFATF's efforts in capacity building and policy development, including the delivery of six training programmes benefiting approximately 150 participants and covering topics such as assessor training, FATF standards, and the risk-based approach. In addition, MENAFATF published its 16th typologies report on legal persons and legal arrangements, translated three FATF guidance documents into Arabic, and contributed to international policy initiatives relating to asset recovery and proposed amendments to FATF Recommendations 1 and 16.

The report further notes MENAFATF's active engagement with international partners through participation in FATF meetings, regional and international events, and the organisation of its 40th and 41st Plenary Meetings during 2025. These activities underscore MENAFATF's ongoing role in supporting the development and effectiveness of AML/CFT/CPF frameworks across the Middle East and North Africa region.

You can read the MENAFATF’s annual report in full here.

4.2 UNSC Updates Its Sanctions Lists

In August, the United Nations Security Council (‘UNSC’) made several updates to its sanction lists.

You can read the UNSC’s sanctions updates here, here, here, and here.

4.3 FATF Updates Consolidated Ratings

On 14 August, the FATF published an updated consolidated ratings table. The table summarises jurisdictions’ progress against the 40 FATF recommendations. The recommendations assess each jurisdiction’s level of compliance with AML, CTF and proliferation financing standards.

You can read the consolidated FATF’s ratings in full 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 1, Gate Village Building 1,
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.