

IFIAR 2021 Member Profile – DFSA

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Dubai International Financial Centre (DIFC)
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Dubai Financial Services Authority (DFSA) سلطة دبي للخدمات المالية
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <u>Physical Address</u> Level 13, West Wing, The Gate, DIFC, Dubai <u>Postal Address</u> PO Box 75850, Dubai, UAE <u>Tel.:</u> +971 (0) 4 362 1500 <u>Fax:</u> +971 (0) 4 362 0801 <u>Website:</u> www.dfsa.ae
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: The DFSA was established in 2004, in accordance with Article 7 of the Dubai Law No 9 of 2004, as the independent regulator of financial and designated non-financial business and professional (DNFBPs) services conducted in or from the DIFC, a purpose-built financial free-zone in Dubai. The DFSA regulates a broad range of firms based in the DIFC, including banks, insurers, fund managers, advisory firms and brokers, exchanges and clearing houses, together with credit rating agencies, Auditors and DNFBPs. These firms provide a wide range of services to their clients, including Islamic finance. The DFSA is responsible for supervising and enforcing AML and Combating the Financing of Terrorism (CFT) requirements applicable in the DIFC. With respect to Auditors, the DFSA is responsible for the registration, oversight and suspension / removal of Auditors and Audit Principals in the

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>DIFC in respect of Public Listed Companies (PLCs), Domestic Authorised Firms (AFs), Authorised Market Institutions (AMIs) and Domestic Funds (DFs).</p> <p><u>Vision</u></p> <ul style="list-style-type: none"> To be an internationally respected regulator, leading the development of financial services through strong and fair regulation. <p><u>Mission</u></p> <ul style="list-style-type: none"> To develop, administer and enforce world-class regulation of financial services within the DIFC. <p><u>Regulatory Approach</u></p> <ul style="list-style-type: none"> To be risk-based and to avoid unnecessary regulatory burden. <p><u>Values</u></p> <ul style="list-style-type: none"> To expect high standards of ethical conduct and integrity from the DFSA and its people. To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities. To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions. <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The Board currently consists of 10 Directors and all but the Chief Executive are independent non-Executive Directors. The Members of the Board are leading industry, legal and regulatory experts drawn from major international financial jurisdictions. There are currently no former auditors / practitioners on the Board. The Directors are as follows:</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<ul style="list-style-type: none"> • Saeb Eigner (Chairman) • Bryan Stirewalt (Chief Executive) • Fadel Abdulbaqi Al Ali (Deputy-Chairman) • Abdul Wahid Al Ulama • The Hon Apurv Bagri • Charles Flint QC • Dr J Andrew Spindler • Julie Dickson • Teo Swee Lian • Sabine Lautenschlaeger
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The DFSA Board oversees the DFSA Chief Executive and staff and are appointed by His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, President of the DIFC, for a three year term. The structure has been designed to ensure a transparent separation of day-to-day regulatory activities from the oversight of the DFSA’s regulatory performance.</p> <p>Directors are governed by a Code of Values and Ethics that sets out procedures for reporting and managing any potential, perceived or actual conflicts of interest.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner? N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>N/A. There are currently no former auditors / practitioners on the Board.</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe: N/A</p>

	<p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>The DFSA has an agreement with two UK-based professional accounting bodies to provide technical assistance to the DFSA. These professional bodies are contracted directly to the DFSA to provide technical assistance on certain inspections*. Where such professional bodies provide the technical assistance to the DFSA, the DFSA is responsible for the inspection and retains the carriage and control of the inspection.</p> <p><small>* Professional accounting bodies are being used on high risk and certain inspections of the 'Big4' auditing firms.</small></p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>Article 7(4) of the Dubai Decree ensures that the Government of Dubai will provide the DFSA with the necessary funds to discharge its powers and perform its functions. This is reinforced by an obligation under Article 16(2) of the Regulatory Law for the President to provide adequate financial resources to the DFSA.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Article 7(4) of the Dubai Decree ensures that the Government of Dubai will provide the DFSA with the necessary funds to discharge its powers and perform its functions. This is reinforced by an obligation under Article 16(2) of the Regulatory Law for the President to provide adequate financial resources to the DFSA.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p>

	<p>The DFSA is directly responsible for the inspection of the Auditors and has the responsibility of writing both the preliminary and final review reports. The inspections are run by at least one professionally qualified member of DFSA staff having carriage and control of the inspection. The DFSA employees conducting inspections have sufficient audit monitoring training.</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p>						
	<p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Auditors are subject to the following inspection cycles:</p> <table border="1" data-bbox="544 797 1396 913"> <thead> <tr> <th>Type of Auditor</th> <th>Inspection cycle</th> </tr> </thead> <tbody> <tr> <td>Auditors of PLCs & Big4 Auditors</td> <td>Once in 2 years</td> </tr> <tr> <td>All others</td> <td>Once in 5 years</td> </tr> </tbody> </table> <p>The inspection results in the Auditors being given a risk rating. The frequency of visits may be increased if the Auditor is determined to be of a higher risk.</p>	Type of Auditor	Inspection cycle	Auditors of PLCs & Big4 Auditors	Once in 2 years	All others	Once in 5 years
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6. Audit and Financial Market																			
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>As at 31 December 2020, the following number of Auditors were subject to an inspection:</p> <table border="1" data-bbox="544 1350 1214 1462"> <thead> <tr> <th>Type of Auditor</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Auditor of PLCs</td> <td>04*</td> </tr> <tr> <td>Auditors of AFs, AMIs and DFs</td> <td>17</td> </tr> </tbody> </table> <p>* Auditors of PLCs are also registered to audit AFs, DFs and AMIs.</p> <p>As at 31 December 2020, the following entities were subject to an independent audit by a DFSA Registered Auditor:</p> <table border="1" data-bbox="544 1677 1214 1901"> <thead> <tr> <th>Type of Entity</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>PLCs</td> <td>04</td> </tr> <tr> <td>AFs</td> <td>341</td> </tr> <tr> <td>AMIs</td> <td>02</td> </tr> <tr> <td>DFs</td> <td>98</td> </tr> <tr> <td>Total</td> <td>445</td> </tr> </tbody> </table>	Type of Auditor	Number	Auditor of PLCs	04*	Auditors of AFs, AMIs and DFs	17	Type of Entity	Number	PLCs	04	AFs	341	AMIs	02	DFs	98	Total	445
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Total	445																		

	<p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>This data is not public and cannot be released under the DIFC Data Protection Act.</p>
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____</p> <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The DFSA is directly responsible for the approval and suspension/removal of Auditors and Audit Principals and for their ongoing oversight in the DIFC in respect of PLCs, AFs, AMIs and DFs.</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p>

	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p style="text-align: center;">N/A</p>
	<p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The DFSA has the power to withdraw the registration of Auditors and Audit Principals as well as the power to suspend registration. To date the DFSA has taken various supervisory actions against Auditors who have not met their obligations under the rules.</p> <p>If an investigation were necessary, the DFSA’s Chief Executive would approve a formal investigation.</p>
	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>For PLCs and AF’s, the DFSA audit inspection team also reviews the annual audited financial statements to ensure compliance with applicable financial reporting standards. The DFSA has adopted the following international standards related to accounting and audit:</p> <ul style="list-style-type: none"> • International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. • International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board • International Standard on Quality Control (ISQC1) as issued by International Auditing and Assurance Standards Board • Code of Ethics for Professional Accountants as issued by International Ethics Standards Board of Accountants.

<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>In addition to Auditors, the DFSA regulates a broad range of firms based in the DIFC, including banks, insurers, fund managers, advisory firms and brokers, exchanges and clearing houses, together with credit rating agencies and DNFBPs. The DFSA is also responsible for supervising and enforcing AML and CFT requirements applicable in the DIFC.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <ul style="list-style-type: none"> • During 2020, Seventeen (17) Auditors were registered with the DFSA from which the DFSA conducted five (5) audit inspections, assessed twelve (12) Audit Principals and reviewed twenty-three (23) audit engagement files focusing on the substance of an Auditors’ work and assessing whether sufficient and appropriate evidence was obtained and documented to support the conclusions reached in relation to key audit judgements. In addition, the DFSA also carried out five (5) inspections focusing on Regulatory Reports (Regulatory Returns, Client Money, Safe Custody & Insurance Monies) and three (3) inspections to ensure compliance with the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) rules. • In January 2020, The DFSA hosted the Chairman and Executive Director (ED) of IFIAR at an exclusive outreach event entitled “Developments in Global Audit Oversight Landscape”, organised for DFSA RA and other relevant stakeholders. • In February 2020, the DFSA hosted its 11th Annual Audit Outreach for its Auditors. Over 115 Audit Principals, Money Laundering Reporting Officers and key audit staff participated. The event featured detailed presentations on the recent release of the IFIAR Inspection Findings Survey, DFSA Audit Monitoring Findings from 2019 and findings from the DFSA’s AML/CFT inspections. The event also featured an update on the upcoming changes to the International Ethics Board for Professional Accountants (IESBA) Code of Ethics by IESBA’s technical advisor. A detailed overview of Audit Monitoring Focus for 2020 was also discussed highlighting the priorities for this year’s inspections. • In April 2020, the DFSA, along with the Central Bank of the UAE (CBUAE) and the Financial Services Regulatory Authority (“FSRA”) of Abu Dhabi Global Market (“ADGM”) issued a joint guidance for banks and finance companies in relation to the application of IFRS 9 during the current circumstances caused by COVID-19. • In April 2020, the DFSA hosted a SEO Roundtable involving audit firms having significant foot print in the DIFC. The roundtable discussion focused on the steps taken by the DFSA due to the current circumstances caused by COVID-19.

	<ul style="list-style-type: none">• In August 2020, the DFSA released its Audit Monitoring Report for the years 2018-19 summarising the results of the DFSA's audit oversight visits to Auditors of listed companies and regulated entities in the DIFC setting out key issues identified during 2018 and 2019.• In September 2020, the DFSA participated in the Financial Stability Board (FSB)'s 2020 Roundtable on External Audit. Participants comprised senior representatives from FSB member authorities, audit oversight bodies, IFIAR, the Committee of European Auditing Oversight Bodies (CEAOB), International Auditing and Assurance Standards Board (IAASB), the Public Interest Oversight Board (PIOB), and the six largest global audit networks (BDO, Deloitte, EY, Grant Thornton LLP, KPMG and PwC).
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