

IFIAR 2023 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: سلطة دبي للخدمات المالية Dubai Financial Services Authority (DFSA)
	2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member’s website: <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.

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>With respect to Auditors, the DFSA is responsible for the registration, oversight and suspension / removal of Auditors and Audit Principals in the 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 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Licensing</p> <p><input type="checkbox"/> Registration</p> <p><input type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input type="checkbox"/> Other: _____</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, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p> <p>The Board currently consists of 8 Directors and all but the Chief Executive are independent non-Executive Directors. The Members of the Board are</p>

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:

- Fadel Abdulbaqi Al Ali (Chairman)
- Ian Johnston (Chief Executive)
- Charles Flint QC
- Julie Dickson
- Teo Swee Lian
- Sabine Lautenschlaeger
- Abdullah Abdulrahman Sharafi
- Rupert Keeley

3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.

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.

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.

3.3 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?

Yes No

Does this include a “cooling-off” period for former auditors?

Yes No

If yes to either of the above, please describe:

N/A. There are currently no former auditors / practitioners on the Board.

4. Independence safeguards	<p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>DFSA Board of 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>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input type="checkbox"/> Same set of requirements <input checked="" type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <p>A separate DFSA Code of Values and Ethics exists for members of the governing body, tailored to the requirements of their roles.</p> <p>The DFSA’s Code of Values and Ethics for employees serves as a guide to the minimum standards of professional conduct and ethical behavior which the DFSA expects of its Employees.</p> <p>The Code of Values and Ethics expects employees to avoid situations where personal interests (financial or otherwise) could affect the employee’s ability to make decisions that are objective and in the DFSA’s best interests. This includes not acting in a matter where the perception of a conflict could affect the DFSA’s reputation. This also includes ensuring that any other appointments (employment or directorships), consultancies or financial interests do not create a conflict of interest.</p> <hr/> <p>4.2 Are there any additional safeguards in place that provide for the Member’s overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p>
5. Funding Arrangements	<p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</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>5.2 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>																		
6. Audit Market																			
6. Audit Market	<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 2022, the following number of Auditors were subject to an inspection:</p> <table border="1" data-bbox="544 1048 1214 1162"> <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 2022, the following entities were subject to an independent audit by a DFSA Registered Auditor:</p> <table border="1" data-bbox="544 1375 1214 1599"> <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>418</td> </tr> <tr> <td>AMIs</td> <td>02</td> </tr> <tr> <td>DFs</td> <td>104</td> </tr> <tr> <td>Total</td> <td>528</td> </tr> </tbody> </table> <p>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) 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>	Type of Auditor	Number	Auditor of PLCs	04*	Auditors of AFs, AMIs and DFs	17	Type of Entity	Number	PLCs	04	AFs	418	AMIs	02	DFs	104	Total	528
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7. Inspection System	<p>7.1 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>						
	<p>7.2 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>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</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 by the Member:</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.</p>						
	<p>7.3 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" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type of Auditor</th> <th style="text-align: left;">Inspection cycle</th> </tr> </thead> <tbody> <tr> <td>Auditors of PLCs & Big4 Auditors</td> <td>Once in 3 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. Also, where inspection results are not satisfactory, the DFSA conducts follow up inspections to ensure that findings are remediated.</p>	Type of Auditor	Inspection cycle	Auditors of PLCs & Big4 Auditors	Once in 3 years	All others	Once in 5 years
	Type of Auditor	Inspection cycle					
Auditors of PLCs & Big4 Auditors	Once in 3 years						
All others	Once in 5 years						
<p>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</p> <p><input checked="" type="checkbox"/> Employees of the Member <input type="checkbox"/> Professional body</p> <p><input type="checkbox"/> Third Parties <input type="checkbox"/> Other</p> <p>Please explain below:</p>							

	<p>The DFSA has its own inspection staff who are professionally qualified, experienced Chartered Accountants and ex-auditors. The team conduct the reviews and inspection of Auditors and issue reports on findings for each inspection conducted.</p>
8. Licensing	<p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of 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, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition. 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>
9. Registration	<p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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 style="text-align: center;">N/A</p>
10. Audits and/or Ethics Standard Setting	<p>10.1 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, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the</p>

	<p>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>11. Permanent Education / Continuous Training of Auditors</p>	<p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training 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, including any changes, with an appropriate level of detail.</p> <p>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>12. Enforcement</p>	<p>12.1 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 directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</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>

13. Other Responsibilities in Audit Oversight or Audit Regulation	<p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, 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 Management (ISQM1 and ISQM2) as issued by International Auditing and Assurance Standards Board • Code of Ethics for Professional Accountants as issued by International Ethics Standards Board of Accountants.
14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation	<p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> 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>
15. Member Update for public information (if any)	<p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member's organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year's Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <ul style="list-style-type: none"> • During 2022, seventeen (17) Auditors were registered with the DFSA from which the DFSA conducted five (5) audit inspections, assessed eight (8) Audit Principals, and reviewed twelve (12) 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. <p>In addition, the DFSA carried out four (4) inspections focusing on Regulatory Reports (Regulatory Returns, Client Money, Safe</p>

	<p>Custody, Insurance Monies and Money Services), four (4) inspections to ensure compliance with the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) rules and one (1) quality control inspection to ensure compliance with International Standards on Quality Control 1 (ISQC 1).</p> <ul style="list-style-type: none">• In February 2022, the DFSA hosted its 13th Annual Audit Outreach for its Auditors. Over 150 Audit Principals, Money Laundering Reporting Officers and key audit staff participated. <p>The outreach featured detailed presentations on the DFSA Audit Monitoring Findings from 2021 findings from the DFSA's anti-money laundering (AML) inspections. A detailed overview of Audit Monitoring Focus for 2022 was also discussed highlighting the priorities for the 2022 inspections.</p> <ul style="list-style-type: none">• In September 2022, the DFSA released its Audit Monitoring Report for the years 2020-21 summarising the results of the DFSA's audit oversight visits to Auditors of DFSA regulated entities in the DIFC setting out key issues identified during 2020 and 2021.
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