MEDIA RELEASE:

DFSA Continues to Develop its Funds Regime

Dubai, UAE, 31 October 2017: The Dubai Financial Services Authority (DFSA) has today consulted on a comprehensive package of proposals to support the continued development of the growing funds industry in the Dubai International Financial Centre (DIFC).The proposals are wide-ranging and are designed to provide greater flexibility for investors and fund managers in the Centre.

Ian Johnston, the Chief Executive of the DFSA, said: “These proposals, to enhance our funds regime, mark yet another milestone in the evolution and development of the funds industry in the DIFC. The changes reflect our ongoing commitment to maintaining international standards, while being fully aware of the need to tailor our regime to take account of DIFC specific factors and the regional requirements.”

The funds industry in the DIFC has been growing steadily with 18 Funds being registered so far in the current year, reinforcing the status of the DIFC as the largest fund hub in the region. The DFSA aims to provide further opportunities for industry development by:

- removing the current limits on the number of investors which a DIFC fund can have. Currently only a Public Fund is able to have 101 or more investors, with an Exempt Fund being limited to 100 or fewer investors and a Qualified Investor Fund (“QIF”) to 50 or fewer investors. The proposals will not change the current approach to regulation of these funds, based on the type of investors (e.g. Public Funds, being open to retail investors, face greater regulatory requirements). These proposals will give fund managers more flexibility in structuring Funds.

- introducing a new class of specialist funds for Exchange-Traded Funds (ETFs). These open-ended funds, listed and traded on exchanges, are popular with both retail and institutional investors in other jurisdictions. Their introduction would give fund managers greater choice of the type of Funds they could offer in or from the DIFC.

- introducing a new model for internal management of an Investment Company, where such a company can be internally managed by its licensed sole Corporate Director. This is a model available in the European Union and the proposals introduce it with some adjustments to suit the DIFC regime.

The proposals strengthen the DFSA's commitment to meeting international standards, particularly of the Financial Stability Board and the International Organization of Securities Commissions, through measures to enhance liquidity risk management in open-ended funds. Open-ended funds give investors the right to have units redeemed at a price calculated based on the net asset value of the fund's portfolio of assets.

One of the key areas of recent funds growth in the DIFC is in the Property Funds sector, particularly in Real Estate Investment Trusts (REITs), with two REITs already listed and traded on Nasdaq Dubai. The proposals remove the current restriction that all Property Funds must be closed-ended. Instead, only Public Property Funds will need to be closed-ended funds. Exempt Funds and QIFs which are Property Funds would be able to choose whether they wish to be closed-ended or open-ended.

The name REIT is currently restricted to Public Property Funds investing in income generating real estate and distributing at least 80% of their net annual income. Exempt Funds and QIFs, which are Property Funds, will, under the proposals, be allowed to use the name REIT if they invest in income generating real estate and distribute 80% of their annual income.

The consultation paper can be accessed by the following link:
https://www.dfsa.ae/MediaRelease/News/Notice-of-Consultation-Paper-Release-(6)

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Editor's notes:

The DFSA is the independent regulator of financial services conducted in or from the Dubai International Financial Centre (DIFC), a purpose-built financial free-zone in Dubai. The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange. In addition to regulating financial and ancillary services, the DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) requirements applicable in the DIFC. The DFSA also exercises delegated enforcement powers under the DIFC Companies Law. These include powers to investigate the affairs of DIFC companies and partnerships where a material breach of DIFC Companies Law is suspected and to pursue enforcement remedies available to the Registrar of Companies (Roc).

Ian Johnston was appointed as Chief Executive of the DFSA in June 2012. Ian joined the DFSA in November 2006, as a Managing Director, to head the Policy and Legal Services Division.

Ian was admitted to practice Law in Australia in the early 1980s and has spent most of his career in the private sector. He held a number of senior positions within the financial sector and was CEO of one of Australia's major Trustee Companies. During that time, Ian played a leading role in the Trustee industry and served on the National Council of the Trustee Corporations Association.

In 1999, Ian joined the Australian Securities and Investments Commission where he held the position of Executive Director, Financial Services regulation, and spent several terms as an acting Commissioner. In 2005, Ian took up a position with the Hong Kong Securities and Futures Commission as a Special Advisor.

Ian is a past Chairman of the Joint Forum, which comprise representatives of the major international regulatory standard-setters (IOSCO, IAIS and the Basel Committee). In August 2016, he was re-elected to IOSCO's Growth and Emerging Markets Steering Committee, a position he has held since 2013. He is also a member of the Council of the Islamic Financial Services Board (IFSB), the global standard-setting body for Islamic finance. Ian was a member of the Board of Directors of the Financial Planning Standards Board, from January 2011 to March 2016.