

Recent DFSA Enforcement Activity and Future Priorities

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In this article, we summarize the trends that have emerged from enforcement actions published between 2022 and the present day by the Dubai Financial Services Authority (the “DFSA”).

DFSA Enforcement

Broadly speaking, the DFSA is responsible for authorizing and registering institutions and individuals wishing to conduct financial services in or from the Dubai International Finance Centre (“DIFC”), Dubai’s special economic zone for financial services. The DFSA also is responsible for supervising regulated participants by monitoring and enforcing their compliance with applicable laws, regulations and rules.

The general objective of the DFSA’s enforcement function is to achieve “credible deterrence”, meaning the prevention, detection, and restraint of conduct that causes or that may cause damage to the reputation of the DIFC, and to protect direct and indirect users and prospective users of the financial services industry in the DIFC.

Enforcement Snapshot

In the interests of credible deterrence, the DFSA generally publicizes its enforcement actions. The following tables depicts all such activity during the period January 1, 2022 through end-June 2024:

Year/period	Enforcement investigations commenced	Published enforcement actions [1]	Total value of financial penalties imposed [2]
2022	8	11	USD 2,710,404
2023	13	8	USD 3,908,869
2024 (through June 31)	TBD	1	USD 191,000

Enforcement Analysis

In short, the DFSA’s published enforcement data from 2022 to 2023 shows the following:

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- the number of enforcement investigations opened by the DFSA increased by 62.5% (from eight to 13);
 - the number of enforcement actions concluded and published by the DFSA decreased by 27% (from 11 to eight); and
 - notwithstanding the decrease in the number of enforcement actions, the total value of the related financial penalties increased materially, by 44% (from approximately USD 2.7 million to almost USD 4 million).

Although the true number of enforcement investigations opened in 2024 will not be published until 2025, the DFSA's enforcement function appears to have gotten off to a judicious start in 2024, publishing just one enforcement action in the first six months of the year.

Regarding the quantum of the financial penalties that the DFSA has imposed, the sharp increase demonstrates the DFSA's appetite to levy more significant fines on wrongdoers than it has done previously. For example, the largest fine imposed by the DFSA in 2022 was USD 1,300,000 and the size of the average fine imposed was approximately USD 246,400. In contrast, the largest fine in 2023 was USD 2,047,500 and the average fine imposed was USD 488,600, almost double what it was in 2022.

Finally, the data shows that, across 2022 and 2023, approximately 75% of all DFSA enforcement activity was directed at "Authorized Firms" (meaning entities licensed by the DFSA to conduct financial services in or from the DIFC) and the remaining 25% was directed at "Authorized Individuals" (meaning officers or other employees who perform licensed functions within Authorized Firms).

Thematic Review

A review of the publicly available DFSA Decision Notices reflects that the following violative behaviors most commonly precipitated enforcement activity in 2022, 2023, and the first six months of 2024:

- The conduct of unauthorized business in or from the DIFC;
- Failures to comply with statutory requirements issued by the DFSA and obstructing the DFSA;
- The provision of false and/or misleading information to consumers and clients;
- Failures to maintain appropriate systems and controls to prevent market abuse and failures to notify the DFSA of transactions giving rise to suspected market abuse; and
- Failures to comply with the requirements set forth in the DFSA's Anti-Money Laundering ("AML") Rulebook [3] (for example, failures to submit Annual AML Returns on time, failures to adequately resource compliance functions, and failures to maintain appropriate systems and controls to prevent money laundering).

Additional Considerations

Looking ahead, the DFSA's most recent Business Plan [4] sets out the following areas as key priorities for enforcement:

- Financial crime, including money laundering, terrorist financing and breaches of UN and UAE sanctions;
- Misappropriation and mismanagement of client assets;
- Misleading or deceptive conduct with respect to investors, potential investors or other users or

potential users of DFSA authorized financial services;

- Misleading or deceiving the DFSA or obstructing DFSA investigations;
- The conduct of unauthorized business in or from the DIFC; and
- Market abuse, including market manipulation and insider dealing.

Generally speaking, these are the same thematic areas that DFSA focused on in 2022, 2023, and the first six months of 2024, based on the contemporaneous Decision Notices.

It is interesting, however, that the DSFA now lists financial crime as its number one priority, perhaps foreshadowing increasing enforcement activity related to anti-money laundering/combating the financing of terrorism (“AML/CFT”) and sanctions noncompliance. On this, the Business Plan expressly notes, “the DFSA [...] is resolute in having zero tolerance for money laundering, terrorism financing and proliferation financing activities [as well as] breaches of United Nations and UAE sanctions.”[5]

We also expect that the quantum of any related financial penalties is going to continue rising. As the Business Plan explains, “to encourage the integrity of DIFC financial markets and maintain confidence in the DIFC financial services industry, [the DFSA] will seek to apply substantial financial penalties for significant violations of [the] regulations.”[6]

Therefore, time is of the essence for all DIFC entities to operationalize risk-based AML/CFT programs and ensure strict compliance with local and international economic sanctions, including by identifying and remediating existing deficiencies and deploying suitable training programs to ensure employees are familiar with all the obligations that are incumbent upon Authorized Firms and Individuals.

[1] As per the date of the Decision Notices & Other Regulatory Actions published on the DFSA’s website, which are available [here](#).

[2] These figures are *after* any applicable settlement discounts.

[3] Available [here](#).

[4] Available [here](#).

[5] *Id.*, at page 18.

[6] *Id.*, at page 18.