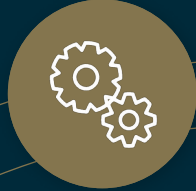


ABU DHABI  
GLOBAL MARKET

FINANCIAL SERVICES REGULATORY AUTHORITY

# ANNUAL REPORT 2021





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SCAN THE QR CODE TO DISCOVER THE **DIGITAL EXPERIENCE**

## CHAIRMAN'S FOREWORD

*With ADGM now in its seventh year of operations, it is encouraging to see the progress that has been made to cement its reputation as a leading International Financial Centre*



### H.E. Ahmed Jasim Al Zaabi

CHAIRMAN

ABU DHABI GLOBAL MARKET (ADGM)



The world is changing at an unprecedented pace with advances in technology having been accelerated by the COVID-19 pandemic. Despite the macroeconomic headwinds caused by the pandemic, the UAE, guided by its wise leadership is emerging in a position of strength. From rapid vaccine roll-out to some of the highest per capita testing rates around the globe, the UAE has remained at the forefront of the COVID-19 response, thereby providing business continuity and stability.

Moreover, the government of Abu Dhabi has built an innovation ecosystem that lays foundations for growth. Recognising that continuous innovation is a cornerstone for economic development, Abu Dhabi Global Market (ADGM), is an agile International Financial Centre (IFC) that responds to changing market drivers in order to create a holistic ecosystem that meets stakeholder needs.

With ADGM now in its seventh year of operations, it is encouraging to see the progress that has been made to cement its reputation as a leading IFC and its recognition as a destination of choice for those seeking to do business with and from the region. Additionally, ADGM's Financial Services Regulatory Authority (FSRA) has swiftly established itself as an industry leader that champions innovation through its transparent regulatory framework

Through its agile approach, the FSRA supports the development of a progressive financial services environment, which upholds the integrity and robust oversight of all regulated activities in ADGM. With a firm commitment to fostering growth and supporting the development of the entrepreneurial landscape across the region, the FSRA has introduced a series of firsts to

benefit participants within the ADGM ecosystem.

The year 2021 saw a series of remarkable achievements for the FSRA. From the launch of the ICE Future Abu Dhabi exchange which lists Murban futures contracts and related derivatives, to ADGM-registered Fertiglobe completing its initial public offering on Abu Dhabi Securities Exchange, the FSRA has continued to support its stakeholders through enabling regulations.

ADGM is truly open to supporting businesses of all sizes, from start-ups to multi-national corporations, as it has continued to enhance its business-friendly ecosystem, sound yet calibrated regulations, and attraction of capital to facilitate growth.

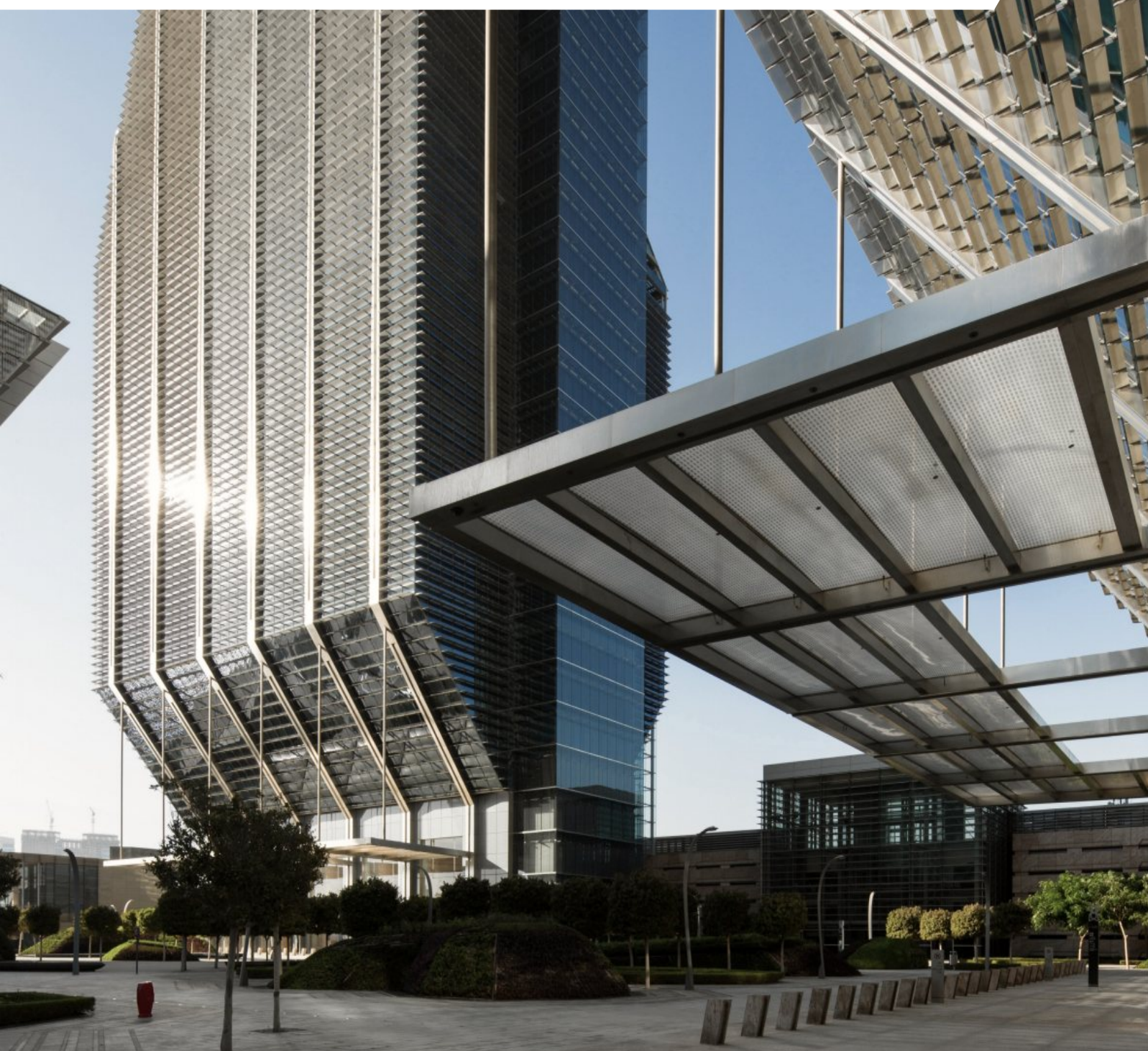
ADGM is a key player in the continued economic story of Abu Dhabi and will continue to partner and collaborate to promote the growth of the flourishing financial services industry and support the economic diversification agenda.

“

**ADGM's Financial Services Regulatory Authority (FSRA) has swiftly established itself as an industry leader that champions innovation through its transparent regulatory framework**

# 2 CEO'S MESSAGE

*ADGM is well-poised to continue to facilitate and take advantage of the diversification agenda to help Abu Dhabi's journey in becoming one of the leading global International Financial Centres*



## Emmanuel Givanakis

CEO

FINANCIAL SERVICES REGULATORY AUTHORITY (FSRA)



I am very pleased to present the FSRA's first Annual Report and Business Plan. This report highlights and reflects on some of our achievements from 2021, and importantly, provides our stakeholders with insight into how we see financial services regulation in ADGM and its development, as well as our approach and role over the next two years as the financial services regulator within the jurisdiction. Our approach is key in our ambition to not only meet our statutory objectives but to further the broader objectives of ADGM and Abu Dhabi as a leading world class IFC. This report is another exciting step forward in our journey since 2015 when ADGM was established and the FSRA began operating as its regulator for financial services.

In 2021, despite the challenges arising from the COVID-19 pandemic, the UAE successfully celebrated its 50th anniversary, which was underscored by its remarkable growth story that has seen it establish itself as a growing global powerhouse of industry and innovation. Under the vision of the UAE's wise leadership, in just 50 years, the nation has become synonymous with growth, opportunity and innovation. We at the FSRA and ADGM have recently been part of that story and will continue to play an even greater role in the next 50 years.

On an Emirate level, the government of Abu Dhabi has introduced many measures to spur continued economic progress and achieve its diversification agenda. A key element of diversification is the development of a robust financial services landscape and it is abundantly clear that Abu Dhabi is becoming a greater global force in financial markets.

ADGM is well-poised to continue to facilitate and take advantage of this diversification agenda to help Abu

Dhabi's journey in becoming one of the leading global international financial centres. Its focus on developing an innovative ecosystem with access to institutional capital provides an environment to nurture various industries in transforming themselves from being new age and disruptive to becoming established business lines.

The FSRA plays an important role in this ecosystem by providing opportunities for growth through a highly based on international standards and our risk-based and proportionate approach to regulation. We have since our very beginnings had an innovation bias in how the financial markets operate and believe in progressive regulations. This is evident particularly with respect to our embracing digital transformation of how financial services are provided now and into the future. We do not just believe in innovation, but actively engage with local and global stakeholders in order to foster and develop its growth in financial services.

This is then reflected by our implementation of comprehensive and robust regulatory enhancements. It is also reflected in the way we authorise, supervise and enforce our regulations and rules.

This approach does not hinder our strong commitment to regulate based on international best practice and standards, which is of paramount importance. We are proud members of a number of leading regulatory standard setters including the International Organization of Securities Commissions (IOSCO), the Basel Consultative Group (BCG) and the International Association of Insurance Supervisors (IAIS), together with a large number of bilateral regulatory relationships around the world.

## Areas of innovation in 2021

Looking back on another successful year in 2021, the FSRA again took steps to continue its progress as a leading and respected financial services regulator, enhancing ADGM's value proposition as an IFC of choice not only in the region but globally. The following achievements are part of the ADGM's broader success story and the extensive work undertaken more broadly in our day-to-day-regulatory operations:

01

### ENHANCEMENTS TO OUR VENTURE CAPITAL FRAMEWORK

We made a number of enhancements to our venture capital (VC) framework, which we believe provides more clarity to our stakeholders and enhances its risk-proportionate approach to this aspect of capital raising and investment. The thriving start-up and fintech ecosystem of ADGM and the broader UAE have drawn active interest from private equity (PE) and VC players from around the world. PE and VC activities in ADGM have grown significantly over the years. Notably in terms of VC activities, they grew fivefold in the last two years despite the COVID-19 pandemic, testament to the vibrancy and resilience of the ecosystem.

02

### LAUNCH OF THE ICE FUTURE ABU DHABI

Another key highlight was the launch of ICE Future Abu Dhabi in March, where the world's first Murban futures contracts and related derivatives are listed. Corporates and investors can hedge their risks on Murban crude and other oil products through a transparent market that is not only close to the source of its production, but which also sits in a time zone that is optimum for trade from both east and west. As we continue to look at ways to enhance our regulatory frameworks and offerings in ADGM, we are confident that ADGM is well-positioned to be the premier commodity derivatives hub in MENA.

03

### DIGITALISATION OF OUR REGULATORY SANDBOX

The FSRA digitalised our regulatory sandbox – the "RegLab" – in 2021 to what we now refer to as the "Digital Lab", to further support and facilitate our commitment to fintech innovation and adoption. The Digital Lab enables financial innovation and growth in an enhanced model of creative collaboration between regulators, start-up innovators and the financial industry. It provides an online platform where fintechs and financial institutions can co-create and test solutions utilizing a number of support tools and synthetic data sets to address challenges in the financial sector, all at the same time as being supervised by the regulator.

04

### LAUNCH OF THE FIRST TOKENISED FUND

As part of our ongoing fintech and digital asset initiatives, we were excited to have the first tokenised fund launched in ADGM in November 2021 by Securrency, a firm that graduated through our Reglab to be a fully licensed financial services firm that offers blockchain-enabled financial services.

05

### 3 VIRTUAL ASSET MULTILATERAL TRADING FACILITIES

Further, and an important evolution of our broader digital asset agenda, was the growth of our ecosystem which saw the launch of three virtual asset multilateral trading facilities (MTFs) and/or service providers in ADGM, a major milestone following the inception of the FSRA's virtual asset regulatory framework in 2018. This is a critical step in promoting the important role that virtual assets and tokenised securities will play in the digital transformation of financial services in the future.

## Looking forward to 2022

The FSRA will continue to build on its progressive and innovative approach to its regulatory capabilities, platform and environment in support of ADGM as a leading IFC for capital raising and investment risk management. In order to achieve our mission and goals, our business plan is based on four key strategic themes that focus on people, performance, efficiency and growth.

We are blessed to have a diverse and experienced team that has not only risen to the challenges of the past two years but has continued to be innovative and progressive in our approach to risk-based regulation. This approach to hiring and retaining great talent within the FSRA will continue to be an important aspect of our continuing journey in being an innovative regulator whilst being fully in keeping with international best practices and standards.

We will build deeper digital capabilities in both regulatory technology (regtech) and supervisory technology (suptech) to not only supervise but also support the financial services industry's compliance capability, establish the foundations of a robust and transparent centre for sustainable finance and importantly reinforce the FSRA's institutional governance and supervisory effectiveness.

Our ongoing efforts to create greater access to markets both locally and globally will continue apace and we will engage with all Federal and local regulators to achieve our ambitious plans for the future of finance in Abu Dhabi and the UAE.

We will also continue the development of ADGM as a leading ecosystem for sustainable investments with significant potential for growth. The sustainable finance market is growing significantly across global markets. Whilst the supply of and demand for sustainable assets in the MENA region is presently low compared to its global peers, a significant proportion of MENA investors and issuers are seeking to move into the market for sustainable financial assets.

There is much that capital markets can do to direct funding towards sustainable projects and corporates seeking to reduce their carbon footprint. In this respect, the FSRA is committed to spearheading efforts to enhance transparency in sustainable investments, from disclosures on environmental, social and governance (ESG) issues, to governance of green financial products, and harmonisation of green taxonomy. At ADGM, we are starting to see providers of green financial services and products, such as sustainable funds, green real estate investment trusts (REITs) and carbon exchanges looking for potential opportunities in the region via ADGM's ecosystem.

These efforts on sustainability are part of the broader UAE journey forward. We look forward to and are

preparing for the UN Climate Change Conference in 2023 (COP 28) which will allow the UAE including ADGM to showcase to the world the various significant achievements and initiatives in sustainability underway.

Since the publication of the FATF findings regarding the UAE Mutual Evaluation Report, the UAE's national effort to build and demonstrate further progress and alignment with the Financial Action Task Force (FATF) Recommendations has been relentless. To this end, the FSRA has actively participated in the discussions and policy works of the various national committees and sub-committees, including the UAE National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee (NAMLCFTC).

In conclusion, the FSRA is committed to ensuring that ADGM has an international and comprehensive regulatory framework to support its financial markets ecosystem. This will be achieved by continuing to develop in innovative ways our robust regulatory regime and is complemented by our progressive and proportionate risk-based approach to regulation. These efforts will continue to build a financial services ecosystem that is fair, transparent, and efficient for all participants and will support Abu Dhabi and the UAE's growth, all underpinned by sound regulations, enabled by technology, and fuelled by innovation.

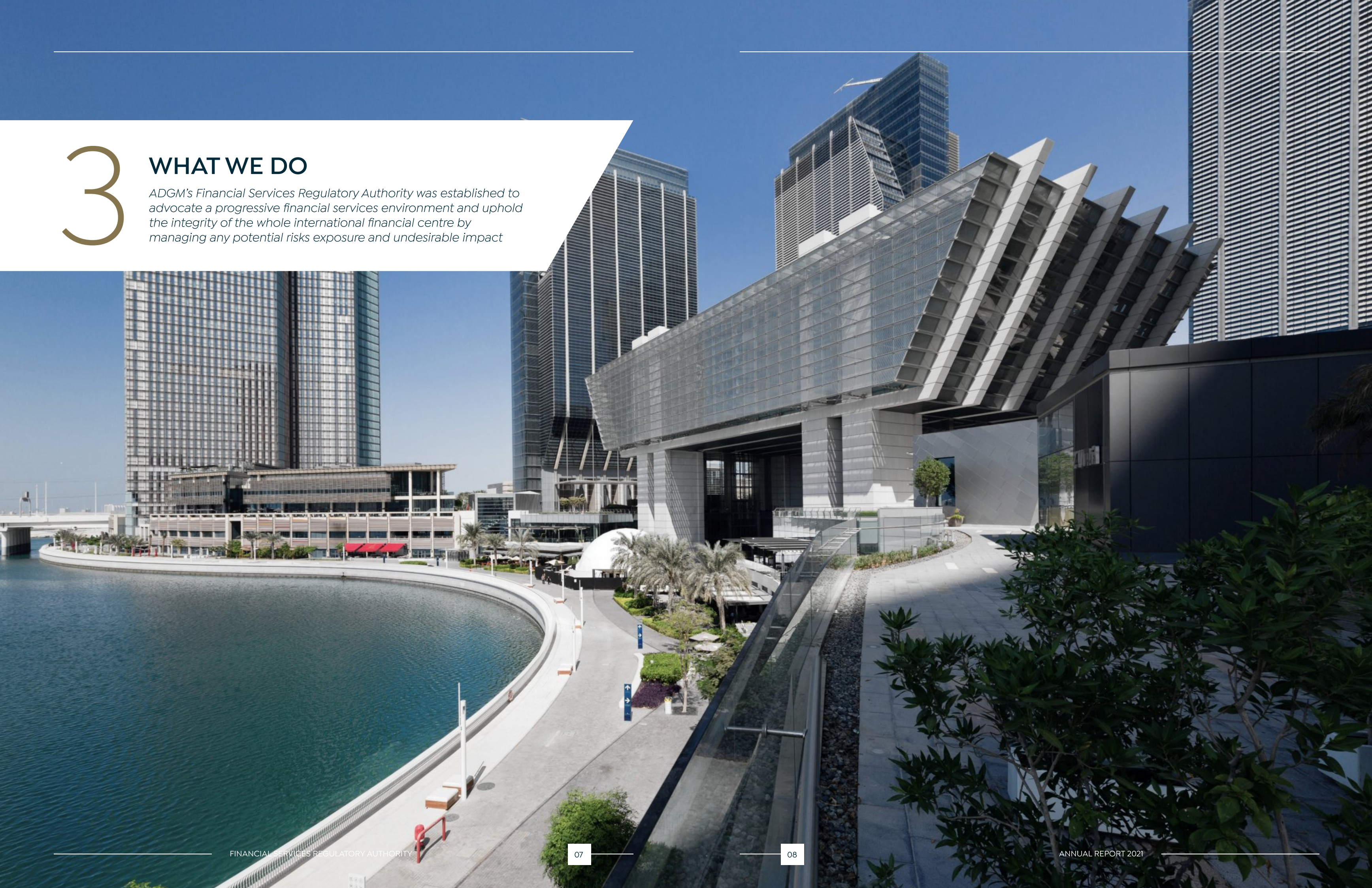
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**The FSRA is committed to spearheading efforts to enhance transparency in sustainable investments, from disclosures on environmental, social and governance (ESG) issues, to governance of green financial products, and harmonisation of green taxonomy.**

# 3

## WHAT WE DO

*ADGM's Financial Services Regulatory Authority was established to advocate a progressive financial services environment and uphold the integrity of the whole international financial centre by managing any potential risks exposure and undesirable impact*



WHAT WE DO  
**OUR VISION, MISSION AND VALUES**



 **VISION**

To be one of the **leading** international financial centres

 **MISSION**

To **promote economic and financial sector growth** through a world-class innovative financial centre

**VALUES**



**INNOVATION**

Excelling by applying creative thinking



**COLLABORATION**

Working with partners internally and externally to meet objectives



**ACCESSIBILITY**

Being available to meet needs and support aspirations



**INTEGRITY**

Being honest, principled and trustworthy in everything that we do



**EFFICIENCY**

Optimising time, effort and resources in operations and service delivery

WHAT WE DO

# STRATEGIC OBJECTIVES



## ADGM STRATEGIC OBJECTIVES

01

### OBJECTIVE 1

Be the Financial Centre of choice enabling sustainable development and market access for financial institutions globally

02

### OBJECTIVE 2

Maintain trust and confidence in the Regulatory and Legal System and continuously enhance by fostering innovation

03

### OBJECTIVE 3

Deliver best-in-class customer experience

04

### OBJECTIVE 4

Develop an integrated ecosystem and knowledge hub that enables financial institutions and talent to thrive and grow

05

### OBJECTIVE 5

Become a regional model in employee engagement, well-being and operational excellence

## FSRA OPERATIONAL OBJECTIVES

### OBJECTIVE 1

Support ADGM's initiatives in ESG and the development of a smart financial centre through digital solutions enabling the sustainability and innovation agenda of financial institutions

### OBJECTIVE 2

Develop and implement regulations, rules, guidance and policies that are internationally best-in-class, progressive and innovative to support the sustainable growth of financial institutions

### OBJECTIVE 3

Foster and strengthen transparency and governance on authorisation, supervision and enforcement processes and decisions

### OBJECTIVE 4

Prevent, detect, deter and restrain misconduct in the ADGM through effective, appropriate and risk-based supervisory and enforcement action

### OBJECTIVE 5

Be a proactive player in the global regulatory community and actively engage in international collaboration and co-operation

### OBJECTIVE 6

Implement appropriate changes required to ensure best in class customer experience including implementation of technology solutions and automation

### OBJECTIVE 7

Foster the development and interactions of community participants enabled by digital platforms

### OBJECTIVE 8

Share knowledge and best practices and build industry connections

### OBJECTIVE 9

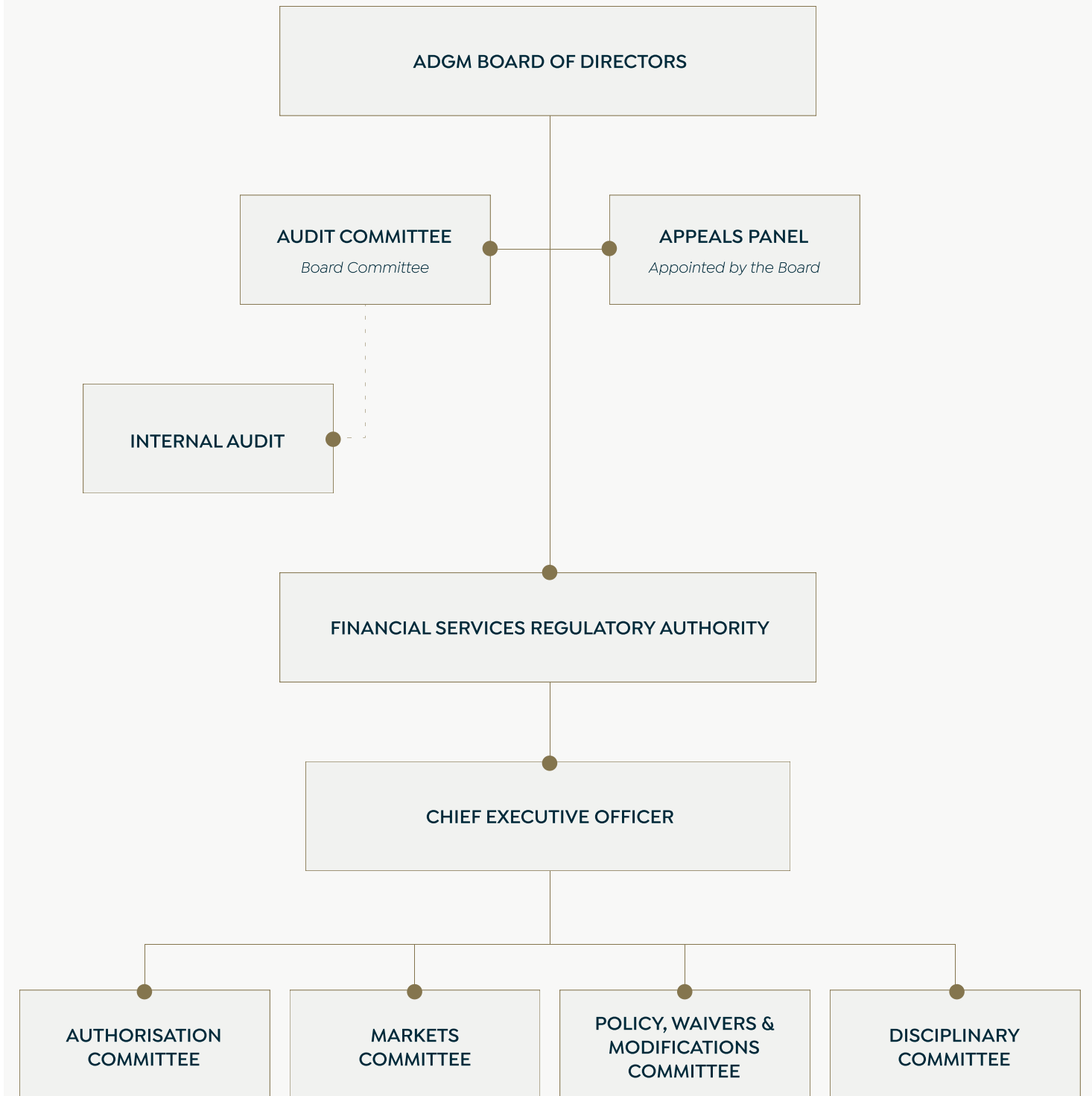
Promote diversity and inclusion, and support employee engagement within ADGM



# WHAT WE DO GOVERNANCE MODEL



## FSRA GOVERNANCE STRUCTURE



\*Merged with Appeals Panel from 1st January 2022

## ADGM BOARD OF DIRECTORS



**H.E. AHMED JASIM AL ZAABI**  
Chairman



**H.E. MOHAMMED ALI AL SHORAFI AL HAMMADI**  
Vice Chairman



**H.E. HISHAM KHALID MALAK**  
Board Member



**DHAEN MOHAMED AL HAMELI**  
Board Member



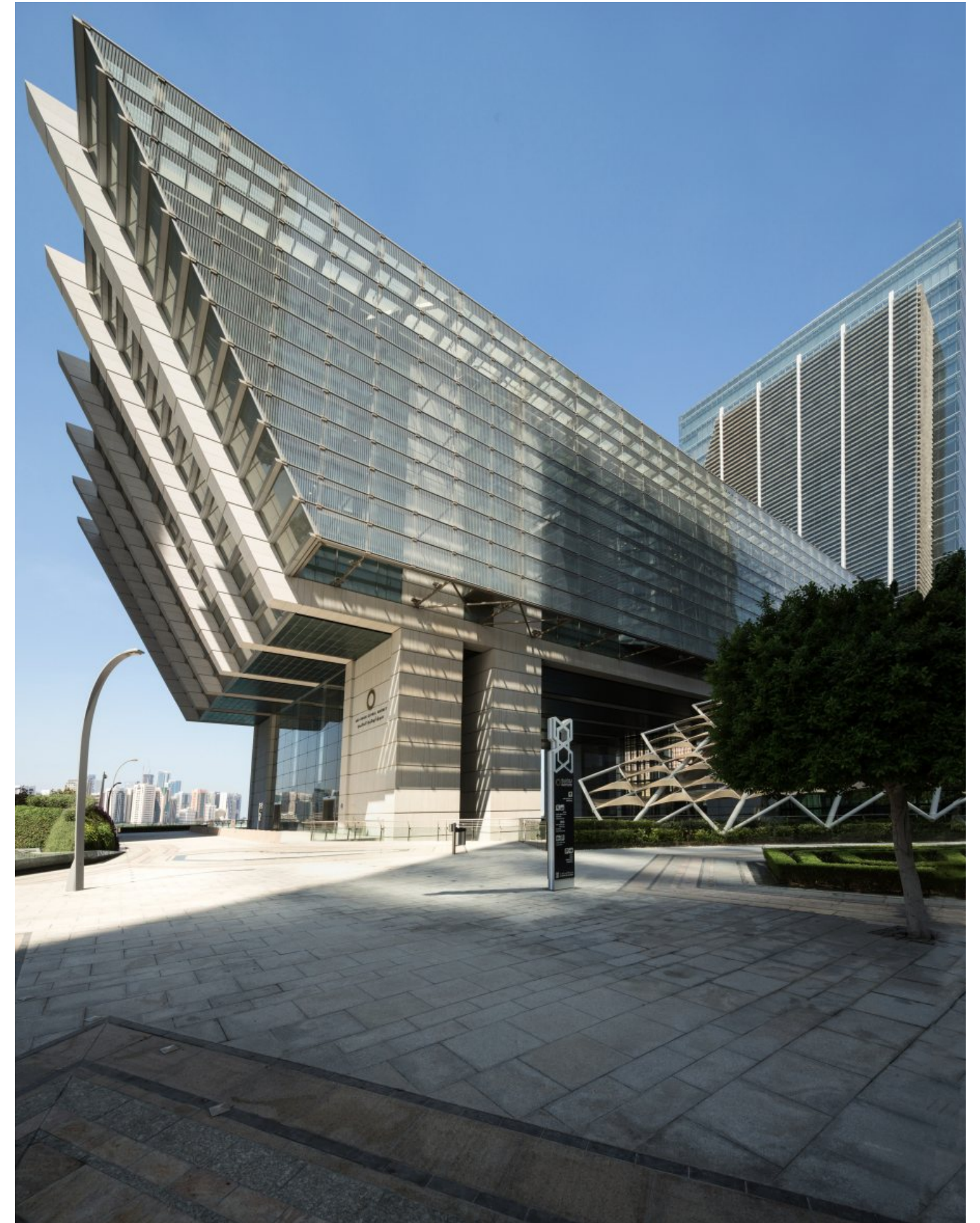
**KHALED ABDULLA AL QUBAISI**  
Board Member



**MANSOUR MOHAMED AL MULLA**  
Board Member



**KAJ-ERICK-RELANDER**  
Board Member





## APPEALS PANEL

The Appeals Panel reviews decisions made in the first instance by the FSRA and ensures the proper observance of due process and procedural fairness by the FSRA in exercising its duties and powers in a consistent, transparent and balanced manner. The Appeals Panel has full independence and authority for determining regulatory appeals and is independent of the ADGM Board of Directors, the FSRA, and the ADGM Courts to preserve its objectivity and impartiality.



**MICHAEL BRINDLE QC**  
President



**JANE DIPLOCK AO**  
Vice President



**PATRICIA ROBERTSON QC**  
Member



**RACHEL ENG**  
Member



**ANDREW WHITTAKER**  
Member



## FSRA EXECUTIVE COMMITTEES

### Authorisation Committee

The Authorisation Committee reviews applications from entities that are seeking to establish a presence at ADGM in order to conduct regulated activities.

### Policy, Waivers and Modifications Committee

The Policy, Waivers and Modifications Committee considers policy proposals in light of the ADGM's and FSRA's objectives as a regulator, as well as applications for a waiver or modification of an existing rule.

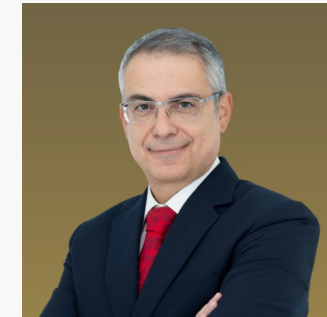
### Markets Committee

The Markets Committee provides oversight of the implementation of the Financial Services and Market regulations in relation to markets activities.

### Disciplinary Committee

The Disciplinary Committee considers key supervisory and enforcement matters which involve the proposed exercise of the FSRA's formal powers.

## FSRA ORGANISATIONAL STRUCTURE



**EMMANUEL GIVANAKIS**  
CEO



**FRASER BROWN**  
Authorisation



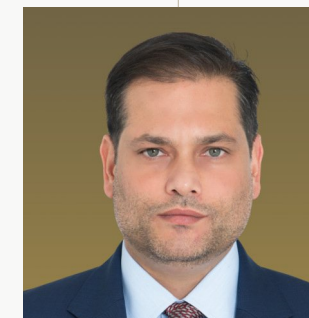
**WAI LUM KWOK**  
Authorisation & Fintech



**LAWRENCE PARAMASIVAM**  
Policy & Legal



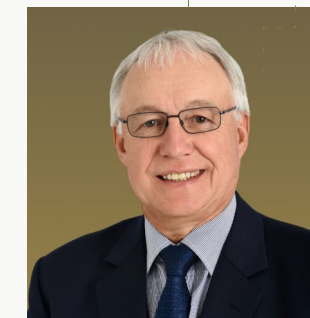
**MARIANNE SCICLUNA**  
Supervision



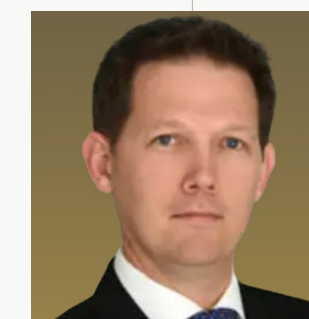
**ADRIAN BOCK**  
Enforcement



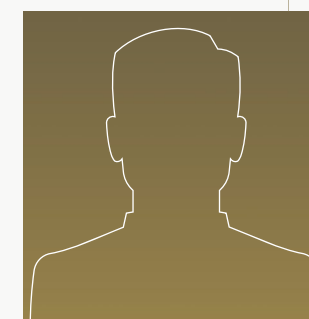
**PHILIPPE RICHARD**  
International Affairs



**MICHAEL LARTER**  
Financial & Cyber Crime Prevention



**SIMON O'BRIEN**  
Markets



**ALAN BURKE**  
Supervision

# 4

## 2021 IN REVIEW

*At the FSRA, we are committed to fostering a fair, efficient and responsive regulatory environment for our market participants and stakeholders*

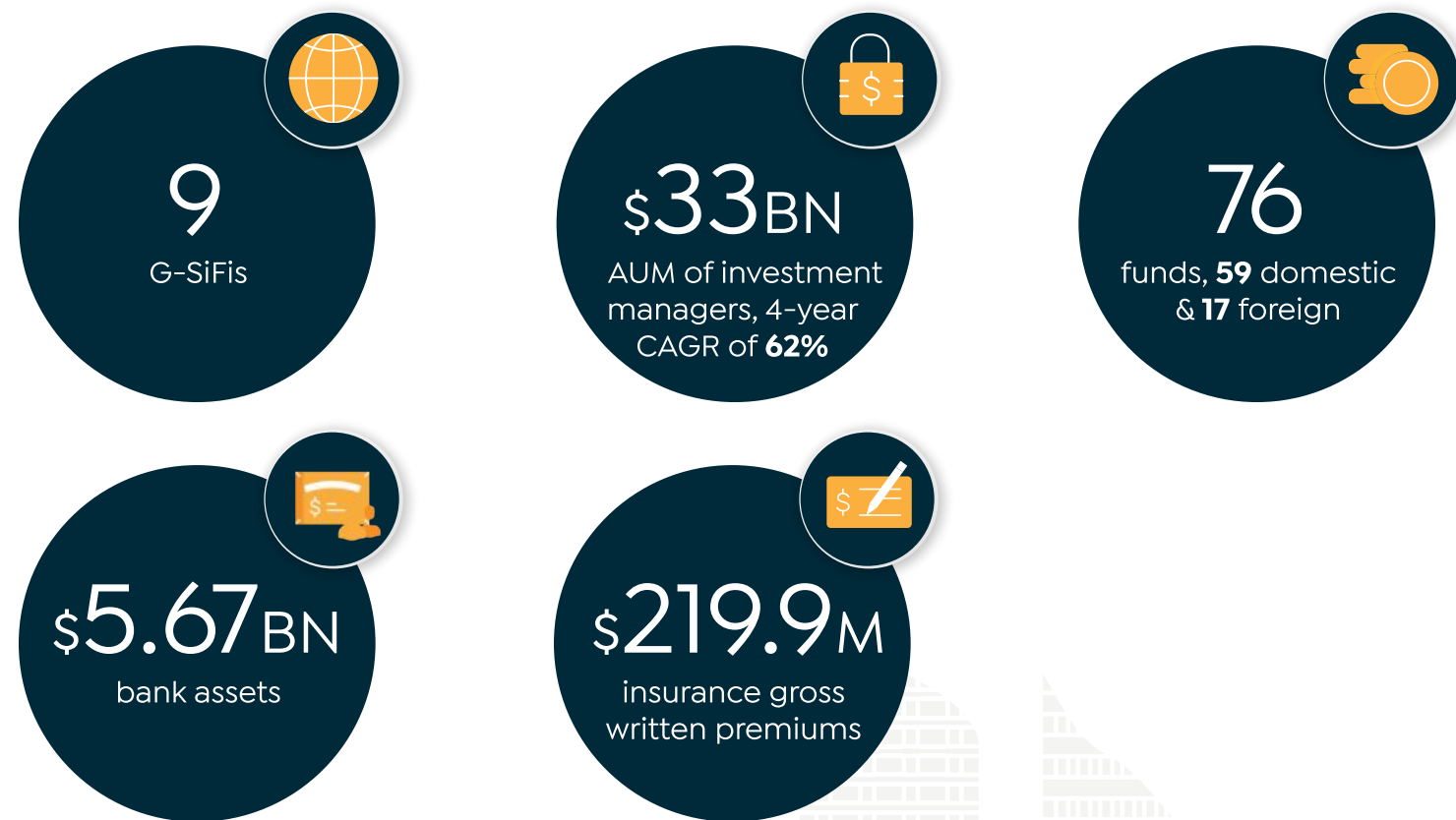


2021 IN REVIEW

# ENABLE THE SUSTAINABILITY AND INNOVATION AGENDA OF FINANCIAL INSTITUTIONS

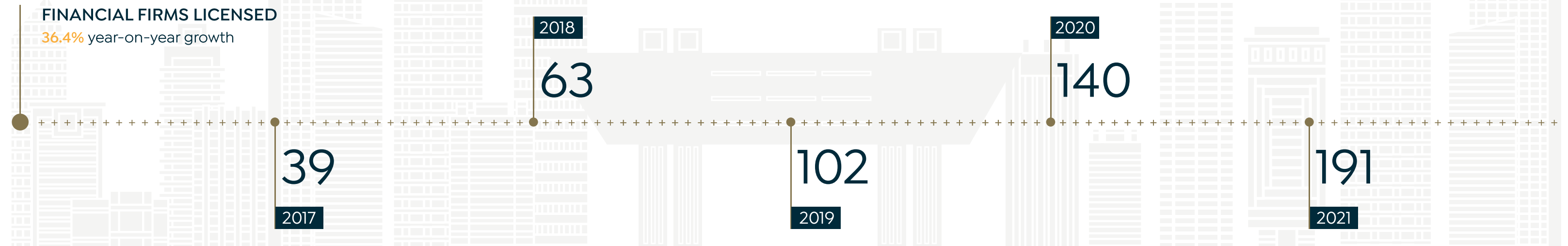
Venture capital activities in the centre experienced significant growth, with the number of VC firms increasing five-fold from 2019 to 2021

## Blazing a trail of growth



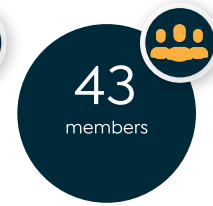
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In 2021, the number of financial firms approved and licensed in ADGM reached a high of 191. This represents a **year-on-year growth of 36.4%**, on the back of a **3-year CAGR of 24.8%**. Despite the global pandemic, assets under management (AUM) in the centre continues to see robust growth, amounting to US\$33 billion as of 31 December 2021 on the back of a 4-year CAGR of 61.6%. Notably, venture capital activities in the centre experienced significant growth, with the number of VC firms increasing five-fold from 2019 to 2021.



CREATING NEW MARKETS

**1<sup>st</sup>**  
**derivatives exchange** in Abu Dhabi & **1st Murban derivatives product** in the world



**3**  
**virtual asset MTFs and service providers** commenced operations

Home to the first Murban futures contract in the world

The ICE Futures Abu Dhabi (IFAD) derivatives exchange was launched on 29 March 2021. A joint venture between the Intercontinental Exchange, Abu Dhabi National Oil Company (ADNOC) and nine of the world’s largest energy traders, IFAD is home to the world’s first Murban Crude futures contract, offering transparent pricing for this global crude for the first time. Physically settled and delivered via the Port of Fujairah, the Murban futures contract is complemented with a range of cash settled derivatives. By 31 December 2021, over 1.16 million contracts (equating to that number of barrels of Murban Crude oil) had been traded on IFAD, and 91 different participants were active on IFAD with a range of refiners, producers, traders and financial participants trading on screen.

With the launch of IFAD, ADNOC’s Official Selling Price (OSP) is now set via trading on IFAD. Other ADNOC crude grades (Upper Zakum, Das and Umm Lulu) are also benchmarked to the OSP.

Launch of virtual asset exchanges and service providers

Three virtual asset MTFs and service providers were launched in ADGM in 2021, a major milestone following the establishment of the FSRA’s virtual asset regulatory framework in 2018.

Given the increasing virtual asset activities in the financial system, such as financial derivatives and investments based on crypto assets as well as financial transactions via cryptocurrencies, the FSRA has brought such activities into its regulatory perimeter, to ensure the holistic supervision and surveillance of the financial system. FSRA’s virtual asset regulatory framework caters to global participants seeking a trusted and well-regulated environment in which to operate, ensuring that our licensed firms are subject to a high level of regulatory compliance and standards to address the risks associated with virtual asset activities.

KEY RISK FOCUS

01

AML/CTF/TAX

FSRA AML Rulebook applies in full to virtual Asset activities. Entities will need to consider reporting obligations in relation to FATCA and Common Reporting Standards.

02

Consumer Protection

All material risks associated with Virtual Assets generally, Accepted Virtual Assets and Virtual Assets products, services and activities must be disclosed.

03

Technology Governance

Systems and controls must be in place in relation to Virtual Asset wallets; origin and destination of Virtual Asset funds; private keys; security and risk management.

04

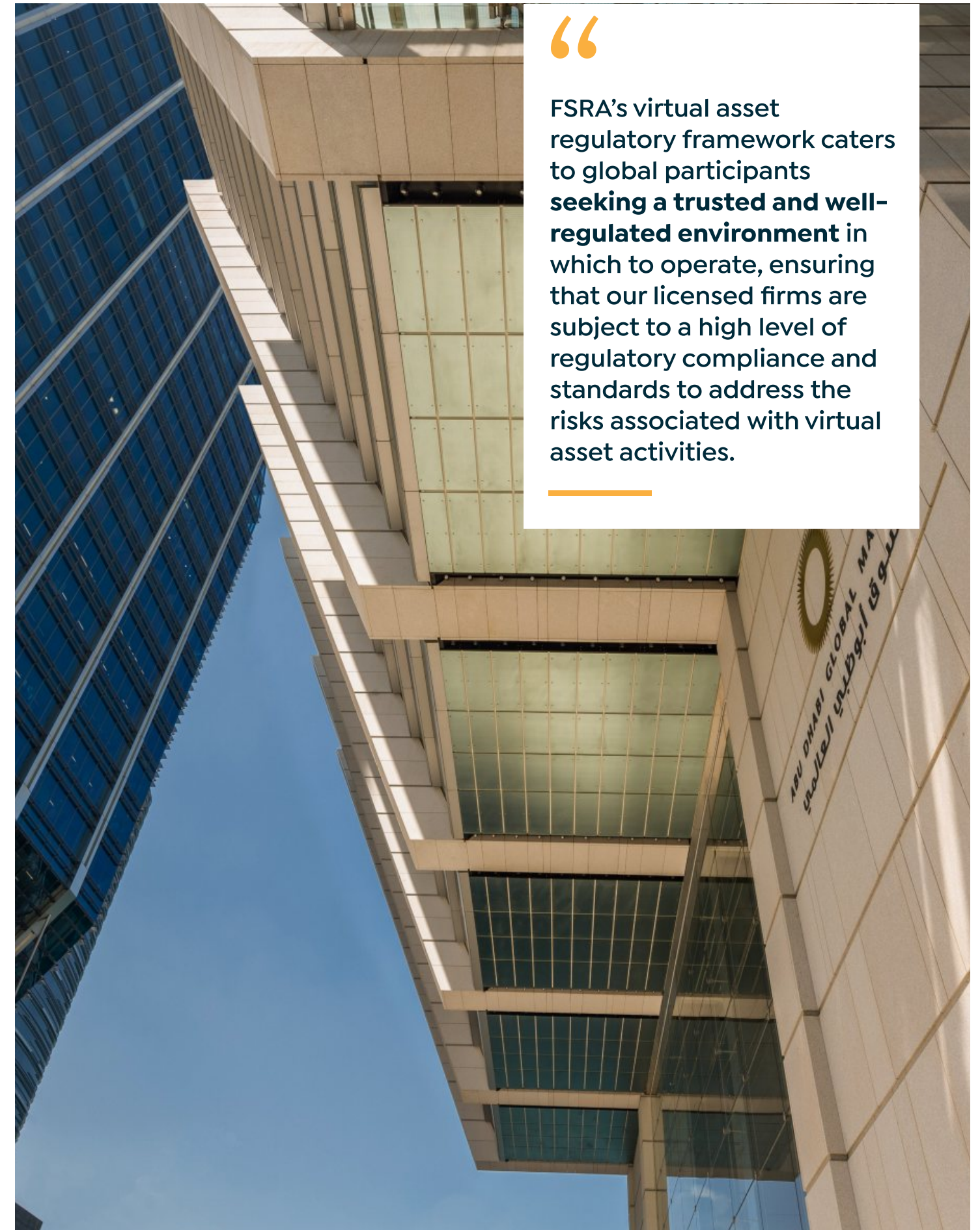
Exchange Type Activities

Virtual Asset trading platforms regulated as ‘Multilateral Trading Facilities (MTFs) (including market surveillance; settlement processes; transaction recording; transparency & public disclosure mechanisms; and exchange-like operational systems and controls, including in relation to access).

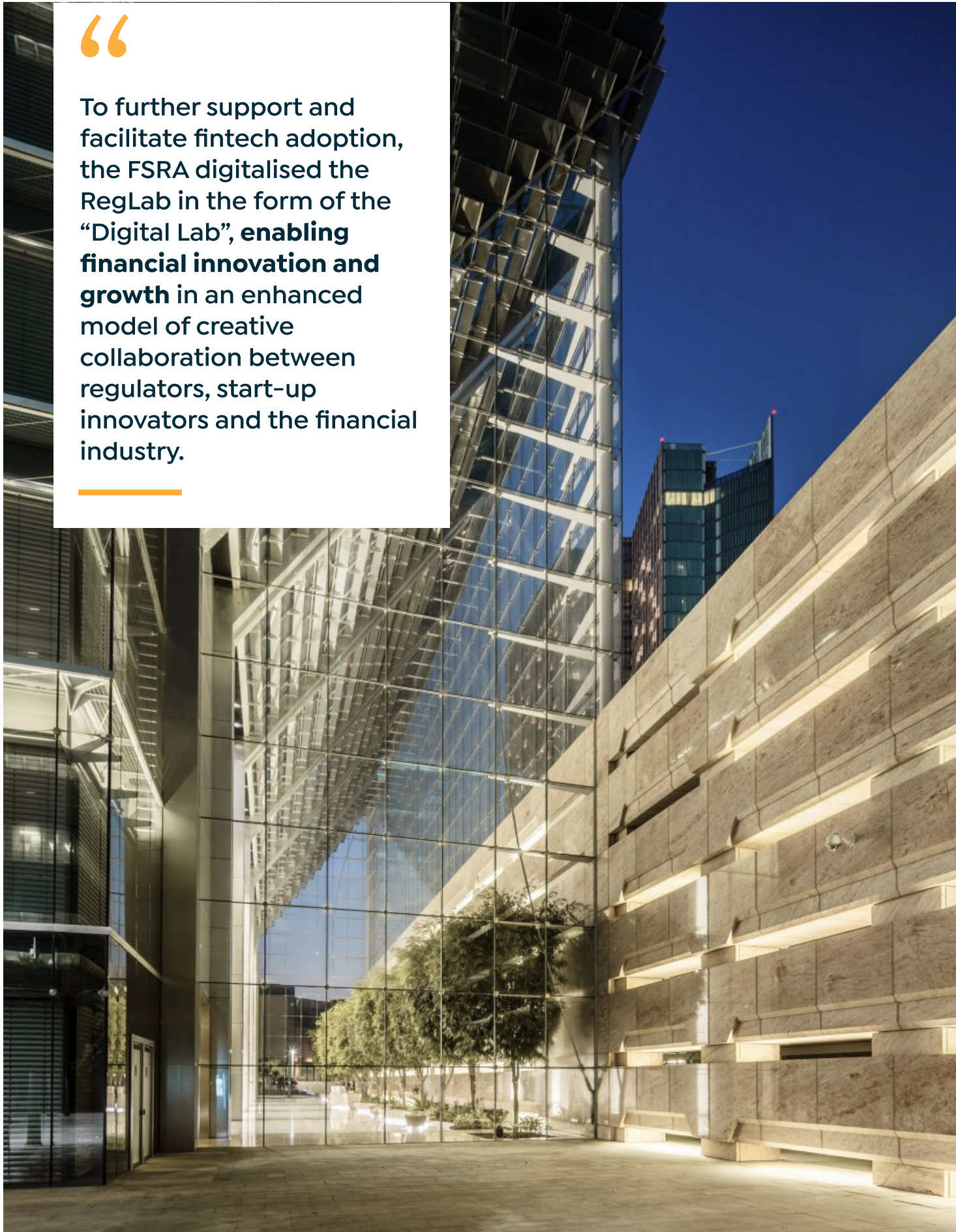
05

Custody

Custodians regulated similarly to FSRA regulated ‘conventional’ custodians. FSMR includes Virtual Assets as Client Assets and Client Investments, and requires more frequent reconciliations/ reporting.



“  
 FSRA’s virtual asset regulatory framework caters to global participants seeking a trusted and well-regulated environment in which to operate, ensuring that our licensed firms are subject to a high level of regulatory compliance and standards to address the risks associated with virtual asset activities.



“

To further support and facilitate fintech adoption, the FSRA digitalised the RegLab in the form of the “Digital Lab”, enabling financial innovation and growth in an enhanced model of creative collaboration between regulators, start-up innovators and the financial industry.

### ADGM DIGITAL LAB - FINTECH REGULATORY SANDBOX 2.0

**100** participants on the platform  
Community comprising financial institutions, fintech start-ups and innovators, public sector organisations, academic institutions, VCs and professional services firms

Annual **ADGM Fintech Innovation Challenge** hosted on Digital Lab



**Co-sandbox programme** piloted with the Central Bank of UAE to accelerate digitalisation in the banking sector

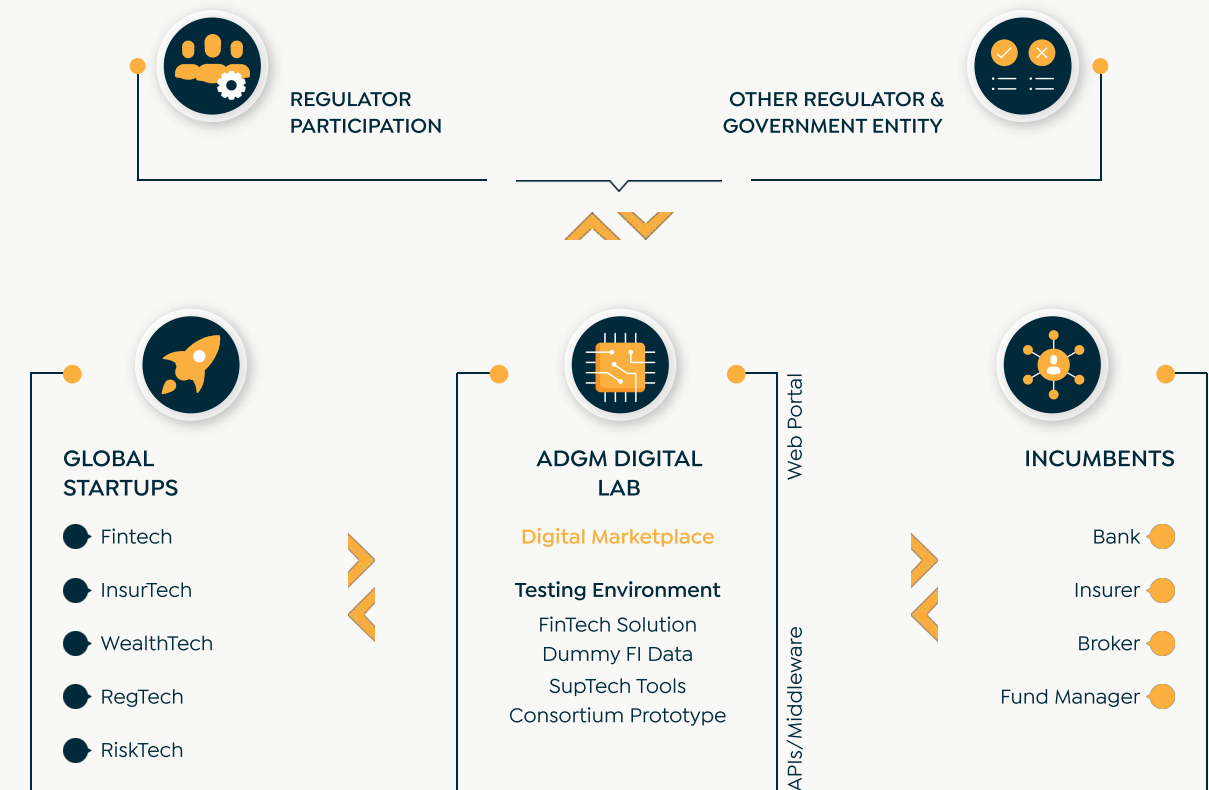
### Leveraging digital infrastructure to support open collaboration and innovation

The FSRA has actively championed fintech and innovation, with the objective of promoting more choices for consumers, greater efficiencies and better risk management outcomes for the financial sector. Notably, the FSRA introduced the first fintech regulatory sandbox, namely the “RegLab”, in the MENA region in 2016. Within the RegLab, fintech start-ups can develop and test their innovative solutions in a controlled environment under the guidance of the regulator, allowing them to scale and adjust to the regulatory requirements over time.

To further support and facilitate fintech adoption, the FSRA digitalised the RegLab in the form of the “Digital Lab”, enabling financial innovation and growth in an enhanced model of creative collaboration between regulators, start-up innovators and the financial industry. Launched in April 2021, the Digital Lab provides an online platform where fintechs and financial institutions can co-create and test solutions to address challenges in the financial sector, supervised by the regulator.

Equipped with APIs, digital toolkits and synthetic data sets, the Digital Lab allows financial institutions to pose problem statements and invite fintechs and regulators to run and test proof-of-concept tests that can lead to eventual production.

### THE ADGM DIGITAL LAB







### Fintech co-sandbox programme with other regulators

In April 2021, the FSRA piloted a fintech co-sandboxing programme with the Central Bank of the UAE (CBUAE) to accelerate digital transformation in the UAE banking sector. Under the co-sandbox programme, a financial institution licensed by the CBUAE and a fintech in ADGM can apply to the CBUAE and FSRA to jointly develop and test fintech solutions in the ADGM Digital Lab, which allows both regulators to connect digitally and supervise the activities online.

Through the Digital Lab, the FSRA seeks to strengthen supervisory cooperation among global regulators, by working with them to test and supervise cross-border deployment of fintech solutions.

### Building a vibrant green finance ecosystem

ADGM launched the ADGM Sustainable Finance Agenda in 2019, which sets out a roadmap to develop a sustainable finance hub that supports capital formation, raising and deployment as well as the creation and issuance of products to achieve positive economic, social and environmental objectives.

The roadmap centres on **four pillars**:

**Integration of sustainability** into the FSRA's regulatory framework, building on existing UAE initiatives and global best practices. ADGM will play a key role in creating a harmonised green taxonomy for the UAE.

**Building cooperation and fostering dialogue** with national and international stakeholders, including government bodies, institutions and industry participants, to promote green and sustainable investments in the UAE and regionally

**Fostering communication, knowledge and awareness** of sustainable finance across the UAE and regionally by hosting events and support training through the ADGM Academy

Creation of a robust, **sustainable finance ecosystem** in ADGM that is home to a diverse pool of institutions and that provides a comprehensive range of innovative product offerings and services that **support the capital formation and deployment of financing and investments**

### DEVELOPING ABU DHABI AS THE HUB OF SUSTAINABLE FINANCE

As an IFC, ADGM has been working closely with key partners and stakeholders to collectively contribute to Abu Dhabi and the UAE's sustainability agenda:

01

#### ABU DHABI SUSTAINABLE FINANCE DECLARATION

Initiated and led the [Abu Dhabi Sustainable Finance Declaration](#) in January 2019, to establish a vibrant sustainable finance industry that supports the UAE in meeting the United Nations Sustainable Development Goals. To date, signatories to the Declaration comprise 59 public and private sector participants committed to advancing the UAE's sustainability agenda.

02

#### GUIDING PRINCIPLES ON SUSTAINABLE FINANCE

Coordinated the UAE's first [Guiding Principles on Sustainable Finance](#) in January 2020, together with other regulators and leading authorities in the UAE. The Guiding Principles, based on the United Nations Agenda for Sustainable Development, serve as a platform for the implementation of the UAE's sustainability priorities.

03

#### SUSTAINABLE FINANCE WORKING GROUP

Chaired the Sustainable Finance Working Group, comprising the Ministry of Climate Change and Environment (MOCCA), Securities and Commodities Authority (SCA), CBUAE, Abu Dhabi Securities Exchange, Dubai Financial Market, Dubai Financial Services Authority (DFSA), Dubai Islamic Economy Development Centre and NASDAQ Dubai, to discuss and coordinate ideas and initiatives on sustainable finance.

04

#### ABU DHABI SUSTAINABLE FINANCE FORUM (ADSFF)

Organised and hosted the annual Abu Dhabi Sustainable Finance Forum (ADSFF), bringing together institutional investors, financial institutions, government officials, regulators and project developers to explore emerging themes and showcase sustainable and concrete solutions in sustainable finance.

05

#### STATE OF SUSTAINABLE FINANCE REPORT

Published the [State of Sustainable Finance Report](#) in October 2020, in partnership with MOCCA. The report underscores the collective achievements of stakeholders from the private and public sectors as they strive to contribute to the UAE's sustainability agenda and enhance the stability of the country's economy through the increased adoption of sustainable finance practices.

06

#### POSTGRADUATE CERTIFICATION PROGRAMME IN SUSTAINABLE FINANCE

Launched a [postgraduate certification programme in sustainable finance](#) in January 2020, to support the development of the talent pool in the banking and finance industry in respect of sustainable finance.

07

#### HIGH LEVEL STATEMENT

Led on the publication of the [High Level Statement](#) in November 2021, a set of commitments by the Sustainable Finance Working Group to take measures in support of the UAE's net-zero commitment. The measures consist of strengthening sustainability disclosure, fostering sustainability-focused corporate governance, and developing a UAE green taxonomy.



2021 IN REVIEW

# DEVELOP A WORLD-CLASS REGULATORY FRAMEWORK

*The suite of regulatory frameworks available in ADGM cover the spectrum of funding needs of companies at different stages of growth*



## Bolstering the financing ecosystem for innovative start-ups and enterprises

In May 2021, the FSRA implemented enhancements to its regulatory framework for managers of VC funds, which was introduced in May 2017. These enhancements include:

- Expanding the scope of permitted forms of investments in VC funds such as through debt instruments, including via bonds and convertible notes
- Allowing co-investments by third parties alongside a VC fund
- Broadening the scope of fund structures and special purpose vehicles

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The enhanced framework is part of the FSRA’s broader set of objectives to develop a comprehensive, vibrant financing ecosystem to support and bolster the growth and diversification of enterprises in the UAE and its economy.

This complements the regulatory framework introduced by the FSRA in September 2018 for operators of private financing platform, which enable early stage start-ups to seek funding from professional and institutional investors on a private placement basis.

To further develop the private capital markets ecosystem, the FSRA launched an industry consultation in November 2021 on a regulatory framework to broaden participation among retail investors seeking opportunities to invest in growing and mature ventures. Following industry consultation, the framework was launched in February 2022. Collectively, the suite of regulatory frameworks available in ADGM cover the spectrum of funding needs of companies at different stages of growth, as well as cater to investors with differing investment strategies and risk appetites.

## Enabling digital and data innovation

Regulations implemented in a well-calibrated manner can be a tremendous enabler to support the digital transformation of financial services, instilling trust and legitimacy while assuring innovation is deployed in a responsible manner. The FSRA launched several sets of enabling regulations in 2021 that better support and govern the use of technology to deliver financial services and build a more inclusive and sustainable financial sector.

### Electronic Transactions Regulations

In February 2021, ADGM introduced a forward-looking regulatory framework to allow electronic signatures, contracts, records and documents to be legally enforceable in ADGM. The regulations are based on the United Nations Commission on International Trade Law (UNCITRAL) Model Laws on Electronic Commerce. ADGM is one of only a handful of jurisdictions in the world to enact legislation to allow the use of transferable documents and instruments in electronic form.

### Data Protection Regulations 2021

Innovations in the area of data, encompassing data handling and the uses to which data may be put, have been accelerating. As a consequence, there is a drive by various entities to obtain, analyse, use and thereby derive value from data. In February 2021, ADGM updated its Data Protection Regulations that had been in place since 2015, to enhance the protection of personal data processed in the centre. The updated Regulations, adapted from the European Union's General Data Protection Regulation, are designed to be proportionate and business friendly, while maintaining

a high standard of protection for personal data.

### Third Party Providers framework

In April 2021, the FSRA introduced a framework to regulate providers of third party fintech services (Third Party Providers or TPPs), to develop an ecosystem that supports the growth of open finance. As part of this, TPPs provide services that help customers better manage and use their data held at financial institutions, leading to improved delivery of financial transactions and management of personal finances, such as sending money to payees via their mobile phone number instead of using their bank account number.

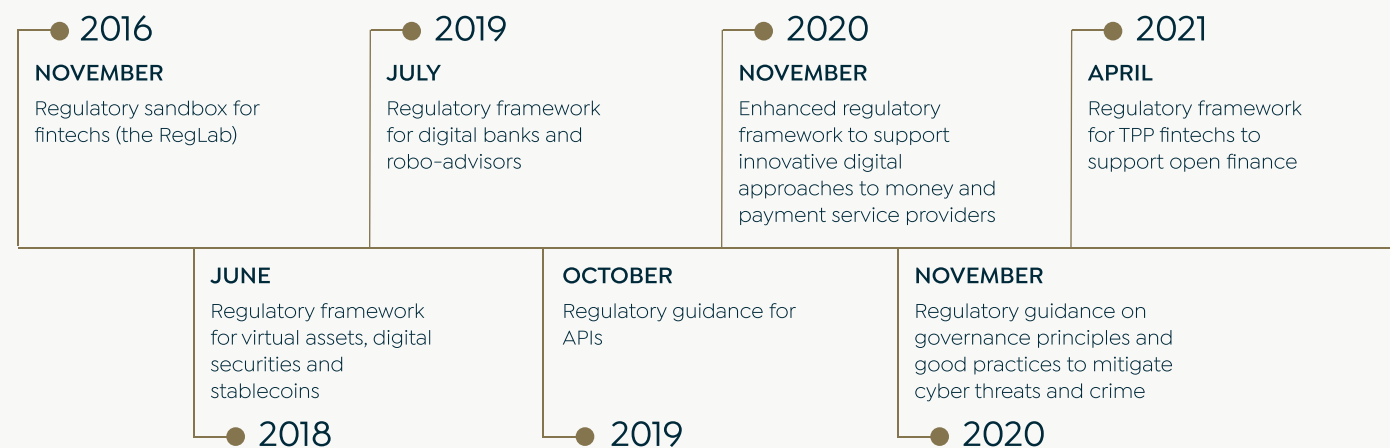
### Guidance on Financial Institutions Adopting Enabling Technologies

In November 2021, the FSRA jointly issued with the CBUAE, the DFSA and the SCA, a set of cross-sectoral guiding principles and best practices for firms when adopting enabling technologies for the development or offering of innovative products and services. The enabling technologies covered in the guidance include application programming interfaces (APIs), big data analytics and artificial intelligence, biometrics, cloud computing, and distributed ledger technology.

### Electronic Know Your Customer (eKYC)

In June 2021, the FSRA published a Consultation Paper with proposed amendments to its regulatory framework to help facilitate the use of non-face-to-face, digital KYC. The proposals are in line with recommendations outlined in the "Guidance on Digital ID" published by the Financial Action Task Force (FATF). Additional measures have also been proposed to help firms ensure that eKYC is not misused in ways that might permit fraud and other types of financial crime. The proposals are currently being finalised.

## COMPREHENSIVE SUITE OF REGULATIONS AND GUIDANCE GOVERNING DIGITAL FINANCIAL SERVICES AND SUPPORTING FINANCIAL INNOVATION



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The FSRA launched several sets of enabling regulations in 2021 that **better support and govern the use of technology** to deliver financial services and build a more inclusive and sustainable financial sector

2021 IN REVIEW

# FOSTER AND STRENGTHEN TRANSPARENCY AND GOVERNANCE

on authorisation, supervision and enforcement processes and decisions



## KEY SERVICE INDICATORS



## Making regulatory compliance easier and more transparent for supervised firms

The FSRA supports financial institutions that seek to implement innovative digital channels for delivering financial services. These channels can improve financial outcomes for customers, but also present risks due to their reliance on newer types of enabling technologies.

There is great potential in the use of technology to provide for better risk management, governance and compliance outcomes for businesses and financial institutions. At the FSRA, we continuously explore regtech to effectively supervise the industry as it continues to evolve. In November 2021, the FSRA published a report, ["Powering The Future of Regulation"](#), on its experience with using regtech solutions that make compliance, simpler, more efficient and more effective.

## POWERING THE FUTURE OF REGULATION

The report outlines a number of key use cases on technology enabling better compliance and supervision, to complement existing documentation reviews and onsite inspections. These include:

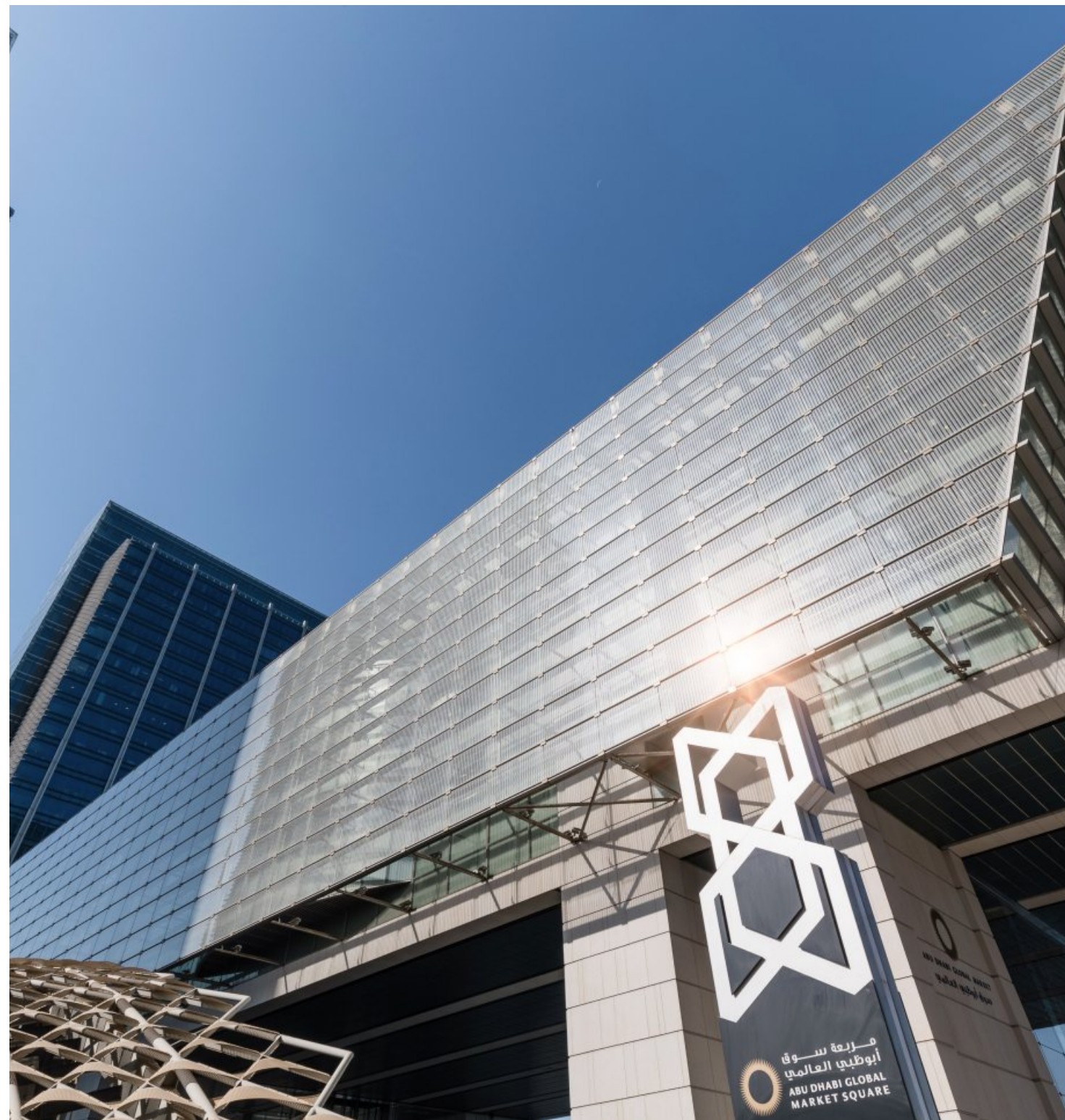
- 01**  
**VIRTUAL ASSET REGULATORY COMPLIANCE**  
monitoring virtual assets and assist firms in meeting their regulatory obligations when transferring virtual assets
- 02**  
**DIGITAL REGULATION**  
using artificial intelligence (AI) to provide financial institutions with a more accessible and contextual understanding of the legislation governing financial services
- 03**  
**CLIENT MONEY MONITORING**  
exploring a real-time approach to verifying how financial institutions safeguard their clients' monies
- 04**  
**MONITORING OF THIRD PARTY PROVIDER OF FINTECH SERVICES**  
using new technology to collect key regulatory statistics on a real-time, at-will basis
- 05**  
**ENABLING TRADE FINANCE**  
collaborating with international government agencies to facilitate the use of digital documents for trade finance

The ADGM Digital Lab is a key digital infrastructure for the FSRA to trial collaborations with regtech providers, financial institutions, and other regulatory authorities within the sandbox prior to deployment in a live environment.

2021 IN REVIEW

# PREVENT, DETECT, DETER AND RESTRAIN

misconduct in the ADGM through effective, appropriate and risk-based supervisory and enforcement action



## PRO-ACTIVE RISK-BASED SUPERVISION AND ENFORCEMENT

**41** calendar days - average processing time  
to grant in-principle approvals for FSP (excluding MTFs, OTFs and RIE)

**17** supervisory audits/ managements visits conducted  
of financial services firms

**21** thematic audits on CSR tax compliance programme  
of financial services firms (selected from 140 desk-top reviews)



### Supporting business growth through risk-based supervision and enforcement

The FSRA is committed to maintaining the highest standards of prudential risk management and business conduct among its supervised firms through effective, appropriate and risk-based supervisory and enforcement action.

In 2021, the FSRA conducted regulatory audits on 17 supervised firms. As a consequence of the pandemic, the audits were carried out via a combination of onsite inspections where possible and safe to do so, and remote interviews through digital conferencing facilities. The scope of audits included assessment of the firms' systems and controls, in particular those relating to risk management, anti-money laundering (AML) and countering the financing of terrorism (CFT), compliance assurance, appointment of key personnel, as well as management oversight of firms' regulated activities.

The FSRA conducted three investigations involving a range of suspected misconduct by firms and individuals, including:

- Unlicensed carrying on of regulated activities in ADGM
- Provision of false or misleading information to investors
- Corporate governance failings
- Failures to observe proper standards of market conduct and to prevent, manage and disclose conflicts of interest

- Failures to establish and maintain effective AML/CFT systems and controls
- Failures to adhere to regulatory reporting requirements

During the course of 2021, the FSRA assessed and responded to 50 complaints from members of the public, and undertook regulatory action against nine entities, including financial penalties amounting to a total of \$55,000.

In addition, the FSRA imposed disciplinary action against 13 firms and individuals for breaches of FSRA's regulations and rules. These actions involved the imposition of financial penalties totaling \$435,000, the suspension of a firm's FSP and the banning of an individual from performing certain functions in ADGM.



The FSRA is committed to maintaining the highest standards of prudential risk management and business conduct among its supervised firms through effective, appropriate and risk-based supervisory and enforcement action.

## Combating money laundering and terrorist financing

### Enhancing surveillance and supervision of high-risk areas

The FSRA contributes actively in supporting the national AML/CFT agenda, and maintains a robust supervisory framework and enforcement regime in the areas of AML/CFT.

We continuously hone and strengthen our risk-based approach and tools in the area of AML/CFT supervision. We reviewed and enhanced the AML/CFT risk assessment and rating methodology, so as to inform the supervisory approach to address financial crime risks, and to intensify our supervision in higher-risk areas and activities. We conducted thematic audits on 17 Designated Non-Financial Businesses and Professionals (DNFBPs) with a focus on the legal firm and corporate services provider sectors, which had experienced significant growth in ADGM. The scope of the review included customer on-boarding, sanctions monitoring

and management, suspicious transactions monitoring, and AML/CFT training and awareness.

We also conducted thematic reviews on the Common Reporting Standards (CRS) tax compliance programme of our supervised firms. A self-assessment questionnaire was sent to a total of 140 firms and on-site audits were subsequently carried out on 21 higher-risk firms.

The key observations and findings of the reviews and audits were published on the [FSRA website](#).

### Deepening collaboration with industry and regulatory stakeholders

The FSRA regularly publishes regulatory [guidance](#) and conducts outreach workshops and webinars to strengthen awareness of and collaboration between regulated entities and relevant stakeholders in enhancing their understanding of the obligations under the UAE's AML/CFT framework, as well as the requirements in the FSRA regulations and rules.

#### Some of the sessions that the FSRA coordinated and/or conducted in 2021 include:

2021

##### 9 MARCH & 11 MARCH

Implementation of Targeted Financial Sanctions (TFS) in collaboration with the Executive Office of the Committee for Goods and Materials Subject to Import and Export Control

*Target Audience: Financial Institutions & DNFBP*

2021

##### 20 MAY

Foreign Account Tax Compliance Act (FATCA) and CRS reporting obligations

*Target Audience: Financial Institutions*

2021

##### 6 OCTOBER

AML/CFT Public Private Partnership Committee (PPPC), aimed at providing a common platform to bring together relevant governmental agencies and the private sector stakeholders

*Target Audience: Financial Institutions & DNFBP*

##### 27 APRIL

FAQ on AML Returns for DNFBPs

*Target Audience: DNFBP*

2021

##### 6 SEPTEMBER

Online awareness session on Joint Cybercrime Webinar (with CBUAE, DFSA, ACAMS, and LexisNexis)

*Target Audience: Financial Institutions*

2021

The FSRA also actively supports the UAE national AML/CFT strategy, providing resources and technical inputs to strengthen AML/CFT capabilities and programmes, e.g. in the emerging area of virtual asset activities.

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The FSRA contributes actively in supporting the national AML/CFT agenda, and maintains a robust supervisory framework and enforcement regime in the areas of AML/CFT.



2021 IN REVIEW

# BE A PROACTIVE PLAYER IN THE GLOBAL REGULATORY COMMUNITY



The FSRA actively engages with national and international financial services regulators, through its wide network of over 100 bilateral Memoranda of Understanding (MoU) with peers, regulatory authorities and financial centres. The MoUs establish a formal basis to facilitate the exchange of supervisory information and investigative assistance, as well as allow for cooperation on mutually beneficial initiatives to support innovation in financial ecosystems.

## Engagement with international regulatory agencies

The FSRA has been a member of the IOSCO since 2016 and is a signatory of both the IOSCO Multilateral MoU and the IOSCO Enhanced Multilateral MoU. As part of its IOSCO membership, the FSRA sits on Committee 2 on the Regulation of Secondary Markets, Committee 3 on

## BEING AN ACTIVE PARTICIPANT IN THE GLOBAL REGULATORY COMMUNITY

**101** MoUs  
covering regulatory cooperation and specific topics such as fintech, signed by the FSRA

Representation at IOSCO, BCG, IAIS, Islamic Financial Services Board, Network of Central Banks and Supervisors for Greening the Financial System (NGFS), World Alliance of International Financial Centres (WAIFC)

**19** meetings  
attended 19 international regulatory body meetings in 2021

the Regulation of Market Intermediaries, the Africa Middle East Regional Committee, and the Growth and Emerging Markets Committee. It is also a member of the IOSCO Fintech Network and Initial Coin Offerings Consultation Network.

In this context, FSRA continues to contribute to the development of global standards of markets and

securities regulation, particularly on areas relating to trading venues, digitalisation, virtual assets, artificial intelligence and machine learning.

The FSRA also engages in the global development of banking and insurance regulation as a member of the BCG and the IAIS.

### HIGHLIGHTS FOR 2021 INCLUDE:

#### EUROPEAN UNION PUBLIC AFFAIRS PROJECT

Initiating the European Union Public Affairs project to foster ADGM's relationship and interaction with the EU and its organisations in respect of financial regulation and supervision. The project will support the FSRA's objective to align its regulatory framework with international best practice and enable the opening of further opportunities between ADGM and the EU in the financial sector.

#### INAUGURAL ANNUAL EU - MENA FINANCIAL CONFERENCE

Organising and chairing the inaugural annual EU - MENA financial services regulatory conference in November. Over 50 representatives from regulators, supervisors and industry, including fintech companies participated in the conference with the aim of strengthening institutional and regulatory relationships with the EU and MENA regulatory authorities. Working sessions focused on two relevant topics for the financial services industry, namely: digital operational resilience; and digital assets and infrastructure.

#### SUSTAINABLE FINANCE WORKING GROUP

Chaired the UAE Sustainable Finance Working Group which issued the High-Level Statement on Sustainable Finance, the roadmap for participating authorities to contribute to the UAE's sustainable and climate change objectives.

#### INTERNATIONAL DELEGATIONS

Hosting various delegations from national governments, regulators and supervisors, trade associations and financial service institutions. Q4 2021 saw a substantial increase in the number of delegations as a result of the UAE hosting 'Expo 2020'.

#### SUPERVISORY COLLEGE

Becoming a member of the Supervisory College for IFAD

## Engagement with federal authorities in the UAE

The FSRA continues to engage on a wide range of matters with other UAE authorities in order to ensure that the financial services sector in the country is subject to appropriate regulation and supervision, whilst also ensuring that it can operate efficiently and effectively to grow and diversify the economy of the country. We have issued joint guidance in collaboration with other UAE Authorities including:

- In April 2020, [joint guidance was issued for banks and](#)

[finance companies](#) in relation to the application of International Financial Reporting Standard 9 during the circumstances caused by COVID-19.

- In May 2020, joint [AML Supervisory Guidance](#) was issued on the treatment of AML related and Obligations in the Context of the COVID-19.
- In June 2021, joint [AML/CFT supervisory guidance on the common themes observed during inspections of FIs and DNFBPs in the UAE](#) was issued.
- In November 2021, joint ['Guidelines for Financial Institutions Adopting Enabling Technologies'](#) was issued.

2021 IN REVIEW

# IMPLEMENT BEST IN CLASS CUSTOMER EXPERIENCE



*At the FSRA, we are committed to fostering a fair, efficient and responsive regulatory environment for our market participants and stakeholders*

At the FSRA, we are committed to fostering a fair, efficient and responsive regulatory environment for our market participants and stakeholders, leveraging innovation and technology that will allow us to carry out effective supervision over the activities of licensed firms, as ADGM continues to grow as a trusted financial centre to conduct business.

## FSRA Connect

To enhance the FSRA's operational excellence and engagement experience of stakeholders, we commenced the development of FSRA Connect, a supervisory information system that supports online applications, automated workflows, and data analytics in the core areas of authorisation, supervision and enforcement. Phase 1 of the implementation, which covers the authorisation function of FSRA, was successfully launched in November 2021. The next phase of implementation covering the supervision and enforcement functions is expected to be launched in 2022.

## Better allocation of resources and response time through pooled supervision

In February 2021, the FSRA implemented "pooled supervision", where firms with lower assessed risks are supervised by a collective pool of FSRA officers, instead of being pre-assigned a single supervisory officer as in the case of firms with higher assessed risks. Firms in pooled supervision may reach out to the FSRA through a dedicated mailbox, and an FSRA officer is then assigned to handle each case.

This pooled supervision model, which assigns an officer following receipt of the request, brings about greater efficiency, as a case is immediately assigned to the next available officer as and when it arises. This risk-based supervisory approach has allowed FSRA to effectively supervise a larger number of lower-risk firms in a more responsive manner.

## FSRA CONNECT – STREAMLINING THE WORKFLOW PROCESSES OF FSRA

FSRA Connect provides applicants and licensed firms with an efficient portal for digital interaction with the FSRA for both new applications and ongoing supervisory obligations. For instance, the system allows firms to:

- **Submit** their regulatory business plans and supporting documentations for licence applications, **and pay the applicable fees;**
- **Respond online** to the FSRA's queries, and **track the progress of their applications;**
- **Submit returns, raise and track queries and correspondence,** and applications to vary their Financial Services Permission.

Within the FSRA, the system allows for efficient case management of supervised firms, tracking of key performance indicators, allocation of tasks, and analyses of management information and statistics to support the FSRA's day-to-day regulatory functions. These include workflows to:

- **Manage and track** firm risk reviews, onsite inspections, off-site analysis;
- **Enable data-driven decision making and management reporting** (e.g. document analysis for regulatory compliance, peer group comparison, predictive modelling of financial statements and risks, business intelligence, etc.);
- **Issue supervisory communiques** via a contact management system;
- **Maintain full audit trail** of processes, applications, issues, decisions, and correspondence;
- **Track, manage, document and report** on enforcement activities.



2021 IN REVIEW

# FOSTER THE DEVELOPMENT AND INTERACTIONS

of community participants



## Abu Dhabi Sustainable Finance Forum

The 3rd edition of ADSFE, which was held as a virtual event in January 2021, maintained the momentum to keep sustainable finance at the forefront of the financial services industry in the MENA region. The agenda

focused on rebuilding the global post-Covid economy in a more sustainable and equitable way. Leading institutional investors, government representatives, regulators, international agencies, development finance institutions and project developers convened to showcase progress and actions in scaling sustainable finance in the MENA region and globally.

### FINTECH ABU DHABI 2021 – POWERING THE FUTURE OF FINANCE

From 22 to 24 November 2021, the FSRA hosted the fifth edition of its annual FinTech Abu Dhabi Festival (FinTech AD 2021), the largest fintech event and gathering in the MENA region. Held under the patronage of His Highness Sheikh Hazza bin Zayed Al Nahyan, Vice Chairman of the Abu Dhabi Executive Council, in a hybrid format combining in-person sessions and virtual broadcasting from ADGM premises to a global audience, FinTech AD 2021 attracted over 250 global investors, 100 global fintech companies, 200 international speakers and financial leaders from over 40 countries, and 25,000 online participants.

Based on the theme of “Powering the Future of Finance”, FinTech AD 2021 saw an exciting agenda packed with over 80 sessions and 40 hours of content led by the world’s foremost policy and decision makers, fintech innovators, unicorns, financial sector leaders, and investors shaping the global fintech landscape.



14 forums and segments, including:

#### OPENING CEREMONY

The opening featured top keynote speakers and major announcements on initiatives to support the digital transformation of the financial sector

#### THE SEARCH AND FINTECH100 FORUM

Leading up to Fintech AD 2021, a global virtual tour (the Search) was held from June – October 2021 of over 35 countries to connect ADGM with other Fintech hubs, and scout for the world’s most exciting fintech start-ups. Through a series of pitching competitions, 100 start-ups (with an estimated average market capitalisation of over US\$70 million) were selected to join the Fintech100 at FinTech AD, where they showcased their solutions and meet potential investors.

#### GOVERNMENT FINTECH FORUM

The forum comprised panels of senior global and regional policy makers, think tanks and financial regulators that discussed key policy issues on disruptive technologies, and promote cross-border collaboration

#### INNOVATION CHALLENGE

The challenge involved fintech firms on the cutting edge of smart technology pitching to corporate champions, with the goal of co-developing innovative solutions to address challenges in the financial industry with participation from regulators

#### INVESTORS FORUM

The private, invite-only forum was dedicated to networking and deal-making between investors and fintechs

#### FINTECH AD AWARDS CEREMONY

The ceremony recognised excellence in the field of fintech deployment, supporting talent within the UAE and the region

#### YOUTH CIRCLE

Students and youths came together with senior government and industry leaders on the topic of fintech and innovation

#### OTHER EXCITING FORUMS INCLUDED

- CxO21, exploring digital banking innovation;
- Fintech for Good, advancing fintech innovation for sustainability;
- Token, covering digital asset and blockchain;
- Fintech Souk, exploring the commerce and payments landscape;
- Risk4.0, examining cybersecurity and risk management.

2021 IN REVIEW

# SHARE KNOWLEDGE AND BEST PRACTICES

and build industry connections

*The FSRA regularly engages the industry in dialogues in order to understand the needs and challenges of the industry*



## Industry dialogues to share knowledge and best practices

The FSRA regularly engages the industry in dialogues in order to understand the needs and challenges of the industry, as well as share knowledge and best practices to enhance regulatory compliance among our supervised firms.

In the last year, the FSRA provided a number of regulatory updates and awareness sessions to stakeholders in the industry, including the following:

- **Quarterly updates** on the sectors and types of financial services firms operating in ADGM, and FSRA's requirements and expectations on the application process and criteria to be authorised;
- A **'Compliance Practices Outreach'** covering FSRA's key areas of focus and relevant requirements, in respect of the role of compliance and compliance frameworks and findings from reviews and inspections;
- A **webinar on "Risk Management"** that outlined the FSRA's risk rating methodology applicable to supervised firms, and its expectations regarding firms' risk management systems, controls and practices.

2021 IN REVIEW

# PROMOTE DIVERSITY AND INCLUSION

in FSRA and support the improvement of ADGM's employee engagement



The ADGM Family



Lunch & Learn

Staff coming together to share knowledge and better understand the workings of other authorities and departments



Townhalls

Senior leadership engaging staff to foster a one-ADGM vision and togetherness



Breakfast Get-together

Staff coming together to welcome and meet new colleagues, catch up in a relaxed atmosphere over food and refreshment



Embracing Gender Diversity  
Celebrating Emirati Women's Day

# 5

## 2022 STRATEGIC PRIORITIES

*As an IFC and business enabler, ADGM has established an open, inclusive and innovative ecosystem, and created growth opportunities for financial services and businesses to realise their potential in a sustainable, well-regulated environment. The FSRA will continue to bolster its regulatory platforms and environment in support of ADGM's offerings and proposition as one of the leading financing and innovation ecosystem in the world.*

2022 STRATEGIC PRIORITIES

# BOLSTER ADGM AS A CENTRE FOR CAPITAL RAISING AND INVESTMENT RISK MANAGEMENT

*FSRA will continue to work with industry stakeholders to expand its product offerings and provide global participants with the tools to manage risks as well as express their market views*



Traditionally, investments in private capital markets such as private equity and venture capital tend to be illiquid and accessible largely to institutional investors. However, with the advent of fintech and innovation, private capital markets have become more accessible to smaller investors and more efficient for private enterprises seeking to raise capital. In particular, the adoption of digital assets and tokenised securities has enabled greater accessibility and transferability of private capital market investments.

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**To promote greater liquidity and broader participation in private capital markets through technology and digitalisation, the FSRA launched a regulatory framework in February 2022 to facilitate primary market investments as well as secondary market liquidity in growth scale-ups, mature ventures, SMEs and private funds.**

We also plan to update our regulatory framework to enhance the range of private funds offered in ADGM including those in venture debt and working capital financing.

Another focus of FSRA is to enhance its suite of regulatory frameworks catering to niche market solutions for commodity derivatives and investment risk management, as ADGM transforms itself into the premier commodities trading derivatives hub in MENA, in the mining, oil and gas (MOG) sector, the carbon sector, and in relation to benchmarks.

Following the successful launch of IFAD and its flagship range of Murban futures contracts which have helped companies manage their risks amid strains in global supply chains and volatility in oil prices, FSRA will continue to work with industry stakeholders to expand its product offerings and provide global participants with the tools to manage risks as well as express their market views.

2022 STRATEGIC PRIORITIES

# BUILD DIGITAL CAPABILITIES TO SUPERVISE THE FINANCIAL INDUSTRY

*At the FSRA, we continue to actively scan the environment and explore new technology and capabilities*

With the changes in the financial industry accelerated by technological innovation, it is important for regulators to adopt regtech solutions that augment their capabilities to become more proactive in detecting and mitigating new risks brought about by novel solutions and opportunities in a globally connected digital financial system.

At the FSRA, we continue to actively scan the environment and explore new technology and capabilities, with the objectives of:

- **raising the bar on supervisory best practices and standards** in order to better respond to new developments in finance;
- **making risk management solutions more accessible and efficient** to help firms achieve better compliance and risk management outcomes, while reducing regulatory costs and burden; and
- **developing the supervisory tools to better supervise the financial industry** more effectively and efficiently as it continues to evolve.

The FSRA has therefore started developing and deploying suptech solutions in the Digital Lab that will allow us to gain real-time insights into the workings of supervised firms and fintechs through online dashboards. We are digitising our regulations and rules such that they are communicable to the outside world through APIs. In this way, participants are able to interact with regulatory taxonomies that facilitate better understanding of our regulatory environment and associated requirements.

Another major focus for the FSRA is in the area of smart contracts and decentralised finance (DeFi) enabled by blockchain technology. To guide our research on the development of a regulatory framework for DeFi, we recently issued a discussion paper on DeFi, in order to engage with industry practitioners and other stakeholders to explore the risks and possibilities of DeFi, and what a future regulatory framework may resemble. We are also exploring the development of a private blockchain environment within the Digital Lab. Given the evolving technology of smart contracts, the blockchain environment will enable the FSRA to explore the risks and issues associated with the deployment and maintenance of smart contracts within the realm of DeFi. This will in turn help the FSRA formulate regulatory policies that will further enhance its digital finance frameworks.

The Digital Lab will be a step towards achieving our concept of 'Regulation as a service', where entities will be able to plug into the Digital Lab and make use of these suptech tools to test their solutions for compliance against the regulatory requirements.



2022 STRATEGIC PRIORITIES

# BUILD ADGM'S FOUNDATION AS A CENTRE FOR SUSTAINABLE INVESTMENTS



Sustainable finance is a key regulatory priority for the FSRA, as we aim to build a world class regulatory framework to transform ADGM into a leading centre for sustainable investments, and support the region's transition to a low carbon future.

Investors are demanding more transparency in sustainable projects, and expect issuers and corporates seeking investments to account for the impact their actions have on the environment. There must be reliable disclosures and access to consistent and comparable data for validation.

In the development and implementation of the regulatory framework, **the FSRA will focus on achieving the following outcomes:**

#### TRANSPARENCY AND ENABLEMENT

Enhancing transparency and help investors identify sustainable investments towards projects and corporates seeking to reduce their carbon footprint

#### CLIMATE RISKS MITIGATION

Ensuring entities recognise and mitigate the risks that climate change presents to their business models and the broader financial system

The **key components of the regulatory framework** will comprise the following focus areas as set out in the table below:

#### OUTCOMES

##### Outcome 1

Assisting investors identify sustainable investments

##### Outcome 2

Incorporating climate change risks into business models and drafting of a green taxonomy

#### KEY COMPONENTS OF REGULATORY FRAMEWORK

##### Management and distribution

Regulatory requirements governing management and distribution of green investment products, funds and portfolios.

*This will foster investor confidence in such products managed and sold by ADGM firms.*

##### ESG disclosures

Regulatory requirements governing ESG disclosures by regulated financial services firms and businesses licensed in ADGM.

*This will assist investors in allocating capital to ESG-compliant entities and make companies accountable to wider stakeholders for their ESG impact.*

##### Green bonds and green sukuk

Regulatory requirements governing issuance of green bonds and green sukuk.

*This will foster a vibrant green and sustainable bond market to support the region's transition to a low carbon future.*

##### Climate change risk assessment

Regulatory requirements to factor climate change risk into assessment of a firm's prudential and operational risks.

##### UAE Green Taxonomy

Assisting the development of a UAE Green Taxonomy with peer authorities in the UAE.

##### Additional measures

Other measures to develop the green finance ecosystem in the UAE, e.g. ESG ratings, indices, green digital finance, etc.

Besides addressing the issues of taxonomies and standards for disclosures and reporting, to make sustainable finance work effectively, we need to improve the quality, availability and comparability of data. In this regard, we aim to continue enhancing ADGM's Sustainable Finance Platform that was launched in January 2022 at ADSFF 2002, with a view to facilitating and enhancing sustainability reporting for companies in the future. The platform captures market data from publicly available sources to allow the benchmarking of GCC listed entities and selected signatories of the Abu Dhabi Declaration on Sustainable Finance against international standards.

For corporates and public companies, this may help promote more efficient valuation of their ESG activities, through for example, incorporating a green premium or a brown discount. It may also help to prepare private companies and SMEs for increasing scrutiny from investors, as well as customers and consumers who demand greater accountability.

2022 STRATEGIC PRIORITIES

# REINFORCE ADGM AS A TRUSTED AND RESILIENT FINANCIAL CENTRE

*The FSRA will continue to focus all its efforts on combatting money laundering and terrorist financing, and other forms of financial crime as a key priority*



The FSRA will continue to focus all efforts on combatting money laundering and terrorist financing, and other forms of financial crime as a key priority to ensure the stability and resilience of the financial system in ADGM and the UAE.

As part of the FSRA's approach to applying a risk-based approach to supervision and enforcement, we will continue to assess the adequacy of supervised firms' AML/CFT systems and controls to ensure compliance with AML/CFT requirements, and monitor implementation of any follow-up remedial actions required to mitigate risks in a timely manner. This will include:

#### SECTORIAL RISK ASSESSMENTS

Continued focus on sectorial risk assessments of corporate service providers, dealers in precious metals and stones, real estate, accounting, audit and legal firms

#### THEMATIC REVIEWS ON SUPERVISED FIRMS

Conducting thematic reviews on supervised firms in relation to their:

- Implementation of TFS measures;
- Suspicious transaction monitoring and reporting systems / procedures;
- Implementation of risk-based customer due diligence (CDD).

#### ADDRESS AML/CFT FAILINGS

Prioritising investigations and actions to address AML/CFT failings and suspected misconduct that involves money laundering / terrorist financing and other financial crime concerns.





**FINANCIAL SERVICES REGULATORY AUTHORITY**



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