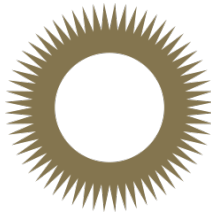


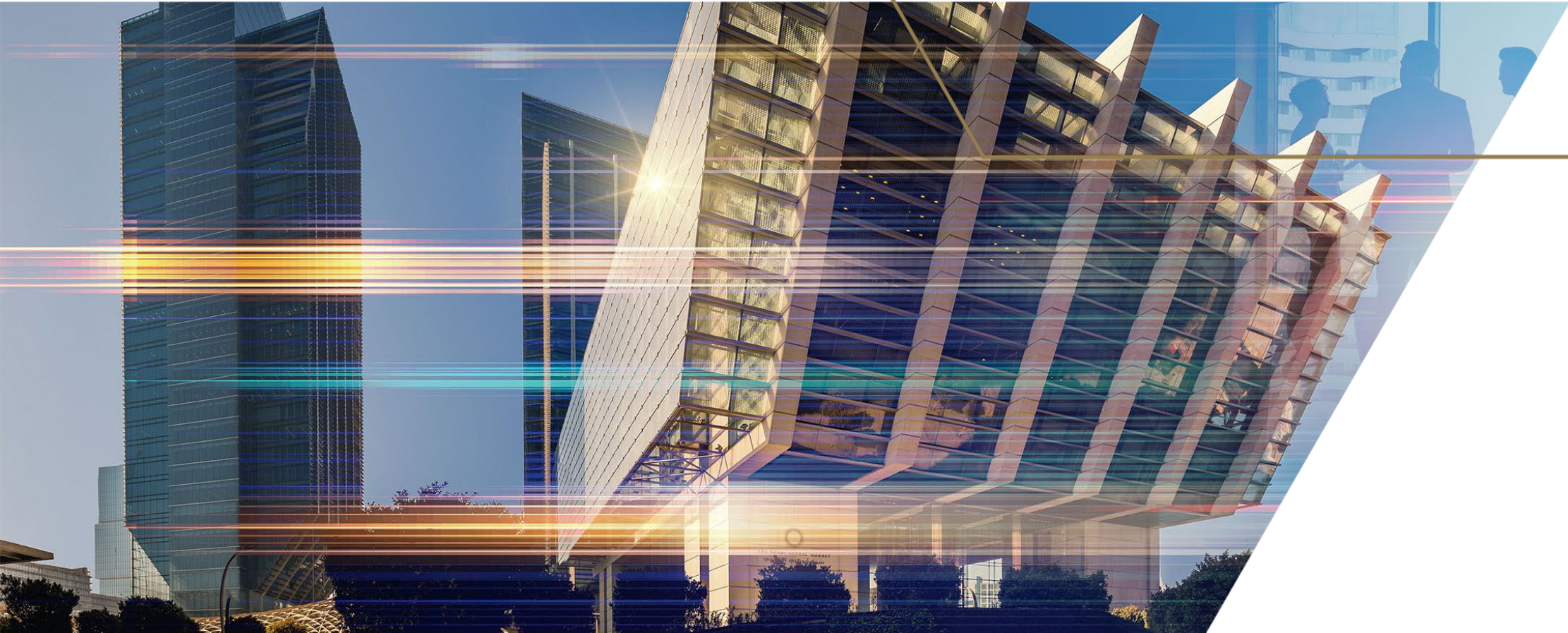
REGISTRATION AUTHORITY

Company Service Provider (CSP) Outreach Event

23 February 2023



ABU DHABI
GLOBAL MARKET



AGENDA

- 01 Registrar and Chief Executive Officer's Welcome Address
- 02 Overview of the enhanced CSP Framework
- 03 2022 CSP Assessment Findings
- 04 Feedback on Applications
- 05 LINK Event (Loca Restaurant – 5.30pm)

*OVERVIEW OF THE ENHANCED
CSP FRAMEWORK*

*TIM LAND
EXECUTIVE DIRECTOR –
MONITORING & ENFORCEMENT*

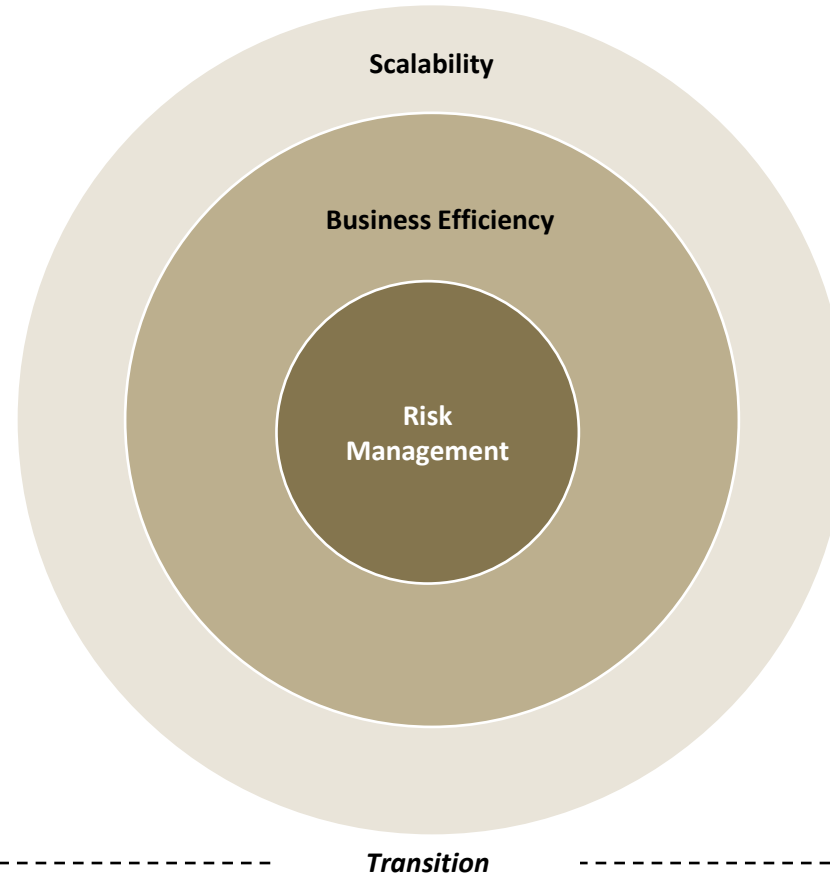


Why amend the CSP framework?

Objective: a fair and robust CSP regime that fosters a vibrant ecosystem of high quality CSPs to mitigate risk, provide business efficiency and scalability and promotes the highest standards in service excellence

Objectives of the CSP Framework

Issues in Practice
1. Knowledge of CSP staff
2. Incomplete applications continue
3. No CSP staff present in ADGM
4. Poor client experience reflects badly on CSP and ADGM



CSP Framework Enhancement

- Mandatory staff certification
- Staff presence requirement
- Regulatory capital requirement
- Prescribed minimum PII cover
- Principles, including integrity, due skill, care and diligence.
- Consultation in **November 2022**.

1. Mandatory Staff Certification



Current State

No specific competency requirement for CSP staff

Issue

Lack of adequate skills, knowledge and experience of CSP staff to perform their duties effectively

Lack of knowledge of ADGM Rules and Regulations

Impacts accuracy and completeness of incorporation applications and corporate filings

Requirement

Client and RA facing staff to complete training prescribed by the RA

Staff who are members of a recognised professional body to undertake simplified training

Due by 23 November 2023

Training will be available by 31 March 2023

See Condition 4, Schedule 1

2. Staffing in ADGM



Current State

No specific requirement for any human resource presence in ADGM.

Issue

Empty CSP offices
CSPs with many clients and no staff presence in the centre
Business centre receptionists accepting service of documents

Requirement

Office to be open during normal working days in ADGM

One client or RA facing staff member to be present in the firm's registered office during normal working hours

Definition of working days and hours removed compared to consultation draft

*See Condition 5, Schedule 1**

**Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023*

3. Audited Accounts



Current State

No specific requirement for CSPs to file audited accounts annually to the RA

Issue

Many CSPs with substantial operations but the RA has no visibility over the financial position of the firms

External audit provides mitigant against misappropriation of financial assets

Requirement

CSPs excluded from the 'small company exemption' from audit

See Section 447(1A) of Companies Regulations (Amendment No. 1) 2023

4. Full Time MLRO and Compliance Officer (CO)



Current State

No specific requirement for a CSP to have a full time MLRO

No specific requirement for a CSP to have a CO

Issue

CSPs play a critical gatekeeper role

CSPs must have fully effective AML systems and controls, overseen by a competent MLRO with sufficient capacity for the role

Concerns over the effectiveness of part time outsourcing arrangements

Lack of responsibility for overseeing firm's compliance monitoring program (CMP)

Requirement

Full time MLRO (in-house or outsourced)

Requirement for a CO

A 'group' entity exemption for both roles has been added

'Recognised service provider' concept removed compared to consultation draft

*See Conditions 6 and 7, Schedule 1**

*Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023

5. Minimum Regulatory Capital



Current State

No specific requirement for CSPs to maintain any minimum prescribed regulatory capital

Issue

CSP activities are a critical controlled function as gatekeeper and service provider to potentially many clients

To ensure effectiveness and service quality firm's must be adequately resourced

Financial resources requirement exists but no prescribed minimum making it difficult to administer

Requirement

CSPs to have and maintain USD 50,000 in available funds at all times

*See Conditions 8, Schedule 1**

**Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023*

6. Professional Indemnity Insurance (PII)



Current State

No specific requirement for CSPs to maintain a minimum prescribed amount of PII cover

Issue

Crucial to have confidence that CSPs are sufficiently insured to mitigate any losses relating to their activities

No prescribed minimum makes existing PII requirement difficult to administer

Requirement

USD 1 million – single claim

USD 1.5 million – in aggregate in any one year

Simplified and reduced from the proposal in the consultation draft

*See Condition 3, Schedule 1**

7. Annual CSP Return



Current State

No specific requirement for CSPs to provide any periodic confirmation or information on their operations

Issue

Lack of periodic visibility on the status of business and operations across the licensee cohort impairs RA's ability to conduct risk based and effective monitoring

Requirement

Annual compliance return requirement – template will be provided by RA

*See Condition 9, Schedule 1**

**Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023*

8. Principles



Current State

No specific requirement for CSPs to act in accordance with any professional principles

Issue

Numerous examples of a lack of care, skill, integrity and / or cooperation with the RA since the introduction of the CSP framework in 2021

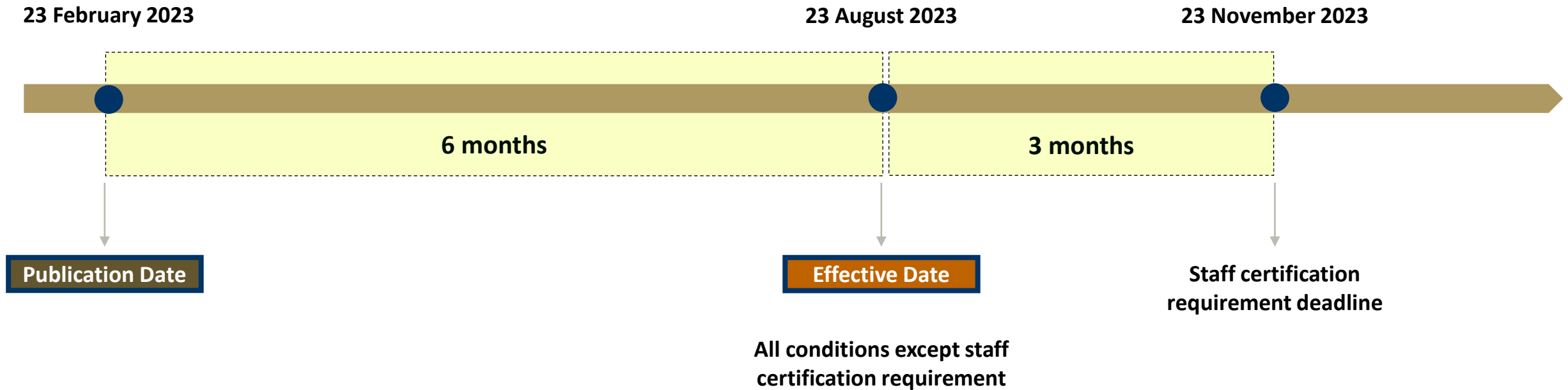
Requirement

Requirement for CSPs to act with:

- Integrity
- Due skill, care and diligence
- Confidentially
- Transparently
- Avoid conflicts of interest
- Openly and cooperatively with the Registrar

*See Condition 10, Schedule 1**

9. Transition Period



**Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023*

2022 CSP ASSESSMENT FINDINGS

*COLLIN WU
SECTION HEAD – MONITORING &
ENFORCEMENT*



2022 CSP Assessments - Scope

1
CSP Conditions of Licence

2
Activities of the CSP

3
Corporate registers

4
Financial statements

5
Economic Substance Regulations

6
AML and Sanctions

2022 CSP Assessments – Common Issues

Conditions of licence and CSP activities

Item	Finding
1 ADGM Application submissions	<i>Lack of evidence or no review process of applications prior to submission.</i>
2 Risk management	<i>Lack of evidence of tasks performed</i>
3 Compliance monitoring	<i>Lack of evidence of tasks performed</i>
4 Staff training plan	<i>Lack of adequate maintenance of training records</i>
5 Fee schedule	<i>Breakdown of ADGM fees and firm fees not provided or deficient</i>

2022 CSP Assessments – Common Issues

Corporate Registers and AML

Item	Finding
1 Corporate registers	<i>Missing, incomplete or outdated information</i>
2 AML CDD	<i>Verification of source of wealth and / or source of funds absent or deficient</i>
3 AML CDD	<i>Certification of KYC documents absent or deficient</i>
4 AML Sanctions	<i>Proper records not maintained</i>

FEEDBACK ON APPLICATIONS

*NATELLA SAFAR ALI
EXECUTIVE DIRECTOR –
REGISTRATION & INCORPORATION*



Feedback on applications (1/2)

Nexus policy

- Adhere to the nexus policy. Meet at least one limb of the nexus policy.
- Three limbs: (1) controller of SPV, (2) target asset of SPV, (3) transaction facilitated by SPV
- **Having an authorized signatory who holds UAE residency visa or UAE nationality is not meeting nexus policy.**

Business plan

- Complete and execute business plan, provide details of the purpose. enter details of the target assets.
- **Do not include vague or inconclusive statements in the purpose section.**

Ownership structure chart

- Provide clear structure chart showing percentage of ownership at each level, leading up to the ultimate beneficial owner. Include details of each legal entity in the ownership chart (name, registered number, place of registration).

Supporting documents

- Upload nominee forms
- Upload CSP appointment form
- Provide complete set of corporate documents of a body corporate shareholder (copy of the license, AOA, register of members, register of directors, certificate of incumbency, certificate of good standing)
- Upload dual nationality statement (include details of all role holders)
- Upload UBO declaration form

Feedback on applications (2/2)

Please do not:

- Use outdated form of a business plan
- Upload articles of incorporation without the name of the legal entity and shareholder
- Let your office lease expire
- Upload irrelevant documents
- Upload unexecuted documents
- State inconclusive details of a residential address on the application form
- Use 'TBC' instead of stating mandatory details in the application form
- Amend template of the business plan prescribed by ADGM RA and add your own edits
- Upload expired documents