

Consultation Paper No. 157 (CP 157)

Proposed changes to DFSA's Fees 14 March 2024

The DIFC Insurance Association welcomes the DFSA's invitation to comment on CP 157. The CP 157 was discussed at a meeting on 26th March 2024 [with further input from other members thereafter].

By way of preamble, the group noted:

- The switch away from one off fees to annual fees structures;
- The increasing regulatory oversight required of participants operating in the DIFC with the consequent increase in DFSA manpower requirements;
- The fee levels had not been reviewed for a period of 5 years;
- The group noted the principles for setting the fees including the desire of the DIFC to become one of the top four global financial centres.

In relation to the specific questions in which the CP No. 157 sought comments:

Question 1: Do you have any comments on the changes proposed to annual fees?

- The proposed fee changes were, in general, regarded by the Group as not being material. Though more transparency was requested around which areas were witnessing larger changes with regard to costs, to better substantiate the cost changes.

Question 2: Do you have any comments on the changes proposed to supervisory event fees?

- Some clarification would assist in relation to paragraph 29 as to what constituted "business transfer scheme" Article 108 does provide some text¹, but we are seeing a number of purchases of established DIFC entities and would not wish there to be an element of double counting, or fees being charged for a licensed entity which was already under satisfactory DFSA oversight. Moreover, the DFSA due diligence regarding a share purchase as opposed to other forms of corporate takeovers would undoubtedly differ.

Question 3: Do you have comments on any of the specific changes proposed in Section 3?

- The only paragraph to cause comment was paragraph 44. The fee structure risked blurring the boundaries between the entities involved in Insurance Management and which ranged from broking, through acting as an agent for (re)insurers (i.e. MGAs) to a pure (re)insurance entity. In the view of the Group, the regulatory issues and supervisory requirements differed between the entities and should therefore be reflected in the fee schedule. It was suggested that these activities be broken down and separate (and justifiable) fees scales be allocated to each activity.

Comparative Insurance Licence fees²:

<u>Annual Fees - Singapore</u>

¹ Further, 106 – 107 of the Regulatory Law DIFC Law No.1 of 2004 outlines that no financial services business transfer scheme ("transfer scheme") is to have effect unless an order has been made in relation to it under Article 108. It defines a transfer scheme as the transfer of the whole or part of a DIFC established financial services (in whole or part) business by an authorised firm to another body or the transfer of the Fund Property of a Fund, or a sub-fund of an Umbrella Fund to another Fund.

² ADGM, Bahrain, Kuwait and Singapore were jurisdictions queried about their comparative fees.

General Insurance	Calculated on a case-by-case basis
General Reinsurance	Calculated on a case-by-case basis
Life Reinsurance	Calculated on a case-by-case basis

<u>Annual Fees - DFSA</u>	
General Insurance	See table below
General Reinsurance	See table below
Life Reinsurance	See table below

<u>Annual Fees - ADGM</u>	
General Insurance	USD 400 ³ or USD 4,000
General Reinsurance	USD 4,000
Life Reinsurance	USD 4,000

³ A special pricing structure is given to these activities under a Category A licence:
1) effecting a Contract of Insurance as a principal; and
2) carrying out a Contract of Insurance as Principal.

	DFSA Old Fees	DFSA New Fees – Consultation Paper 157
Annual fees – regulated entities pay this on an annual basis, and it is not sector specific	<u>Expenditure based fees -</u> Calculated on a regulated entity's annual expenditure in the previous year. The threshold for the application of the rule being USD 1,000,000 of expenses.	<u>Expenditure based fees -</u> The threshold for the application of the rule still being USD 1,000,000 of expenses. Past this, a fee of USD 1 is payable for every USD 1,000 of expenses above the threshold.
	<u>Fees for endorsement -</u> An Authorised Person must pay to the DFSA the following fee for an application for the following endorsements: (a) to act as a Trade Repository, \$15,000 ; (b) to carry on a Financial Service with or for a Retail Client, \$20,000 ; (c) to conduct Islamic Financial Business, \$5,000 ; (d) to hold or control Client Assets, \$5,000 ; (e) to hold Insurance Monies, \$5,000 ; (f) to conduct Insurance Intermediation activities in respect of contracts of Long-Term Insurance, \$5,000 ; (g) to use a Fund Platform, \$20,000 .	<u>Fees for endorsement -</u> The following annual fees were introduced: (a) to act as a Trade Repository, \$3,000 ; (b) to carry on a Financial Service with or for a Retail Client, \$4,000 ; (c) to conduct Islamic Financial Business, \$1,000 ; (d) to hold or control Client Assets, \$1,000 ; (e) to hold Insurance Monies, \$1,000 ; (f) to conduct Insurance Intermediation activities in respect of contracts of Long-Term Insurance, \$1,000 ; (g) to use a Fund Platform, \$4,000 .

	<u>Fees for each additional financial service -</u> USD 1,000 for each additional Financial Service on a regulated entity's licence. The sum of these fees will be added to the basic fixed annual fee specified under FER 3.2.1(2)(a).	<u>Fees for each additional financial service -</u> USD 4,000 annually for each additional Financial Service on a regulated entity's licence. The sum of these fees will still be added to the basic fixed annual fee specified under FER 3.2.1(2)(a).
Supervisory event fees	<u>Fee for removal of authorisation, endorsement, activity or financial product –</u> USD 0.	<u>Fee for removal of authorisation, endorsement, activity or financial product –</u> USD 500.
	<u>Fee for applications relating to Authorised Individuals, Key Individuals and Audit Principals –</u> USD 500.	<u>Fee for applications relating to Authorised Individuals, Key Individuals and Audit Principals –</u> USD 750.
	<u>Fee to withdraw a licence -</u> For standard cases - USD 0. For more complex cases - USD 5,000.	<u>Fee to withdraw a licence -</u> Processing fee for all applications - USD 1,500. For more complex cases - USD 5,000.
	<u>Fee for transfer scheme related work –</u> USD 5,000	<u>Fee for transfer scheme related work –</u> USD 40,000
	<u>Fee for supervisory event driven work where a regulated entity applies to the court to sanction a transfer scheme under Article 108 of the Regulatory Law –</u> USD 5,000.	<u>Fee for supervisory event driven work where a regulated entity applies to the court to sanction a transfer scheme under Article 108 of the Regulatory Law –</u> USD 30,000.
	<u>Fee for de-listing equities –</u> USD 0.	<u>Fee for de-listing equities –</u> USD 2,500.
Firm specific fees	<u>Entities testing innovative financial technology –</u> A consideration by the DFSA to waive fees for businesses using this approach given the start-up nature of many of those businesses.	<u>Entities testing innovative financial technology –</u> No more waivers.
	<u>Crowdfunding Platforms –</u> Application fee – USD 10,000 Fixed Annual Fee – USD 15,000.	<u>Crowdfunding Platforms –</u> Application fee – USD 5,000 Fixed Annual Fee – USD 10,000.

	<u>Registered Auditors –</u> <u>0 – 15</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 7,000. <u>16 – 30</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 7,000 plus USD 500 per audit conducted above 15. <u>31 or more</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 14,500 plus USD 1,000 per audit conducted above 30. Registration fee - USD 7,000. in the domain of audits of Public Listed Companies – USD 5,000.	<u>Registered Auditors –</u> <u>0 – 15</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 8,500. <u>16 – 30</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 8,500 plus USD 600 per audit conducted above 15. <u>31 or more</u> audits reported in registered auditor's annual information return for the previous calendar year – USD 17,500 plus USD 1,200 per audit conducted above 30. Registration fee - USD 8,500 in the domain of audits of Public Listed Companies – USD 7,500.
	<u>Representative Offices -</u> application fee – USD 4,000. annual fee - USD 4,000.	<u>Representative Offices -</u> application fee – USD 6,000. annual fee - USD 6,000.
	<u>Insurance Management –</u> Application Fee – USD 15,000. Annual Fee – USD 20,000.	<u>Insurance Management –</u> Application Fee – USD 20,000. Annual Fee – USD 30,000.
	<u>Insurers in run-off -</u> Annual fee – USD 50,000.	<u>Insurers in run-off -</u> Annual fee – USD 25,000.
	<u>Listed Foreign Funds -</u> Listing fee – USD 0	<u>Listed Foreign Funds -</u> Listing fee – <u>Annually</u>: USD 2,500 fixed fee combined with a variable fee based on market capitalisation.