Media Release

DFSA takes action to protect the integrity of Islamic Finance

Dubai, UAE, 23 April 2019: The Dubai Financial Services Authority (DFSA) has imposed restrictions on David Barnett and Christopher Steer following an investigation into their conduct while working on the Commodity Murabaha Broking Desk (the Desk) at a DFSA-authorised firm.

The Desk facilitated the purchase and supply of title to metal commodities, sourced from a number of suppliers, for the use by the Desk’s clients in Murabaha transactions. Based on the underlying metal commodities purchased and supplied by the Desk, the Desk’s clients were able to undertake Shari’a compliant financing, retail deposits and derivatives transactions for their customers. Up until February 2016, Mr Barnett was the Head of the Desk. Mr Steer was a Senior Broker at the Desk and the firm’s Senior Executive Officer (SEO).

The DFSA investigation found that between 1 January 2014 and 31 December 2015, the Desk stopped purchasing titles to metal commodities required by the Desk’s clients because both Mr Barnett and Mr Steer did not source any from suppliers. However, instead of stopping the activities undertaken by the Desk, Mr Barnett continued to facilitate a large number of Murabaha transactions by reusing titles to metal commodities previously purchased by the Desk that were no longer valid.

Furthermore, Mr Barnett misrepresented to clients that the Desk had legitimate title to the underlying commodities used to facilitate the Murabaha transactions when, in fact, it did not.
While he was the SEO, Mr Steer was aware that the Desk’s clients required title to the underlying commodity as part of the Murabaha transactions and that the Desk had no supply of titles. However, Mr Steer did not take steps to stop the facilitation of Murabaha transactions.

As a result, the DFSA considers that Mr Barnett failed to act with integrity, and is not fit and proper to perform any functions in connection with the provision of Financial Services in or from the DIFC. The DFSA also considers that Mr Steer engaged in conduct that demonstrates a lack of competence to perform any Licensed Function, and therefore he is not fit and proper to perform a Licensed Function in connection with the provision of Financial Services in or from the DIFC.

Bryan Stirewalt, Chief Executive of the DFSA, said: "We expect all employees of authorised firms in the DIFC to meet standards of utmost professionalism and integrity in their duties. This action also underlines the importance the DFSA places on safeguarding the integrity of Islamic Finance transactions."

The restrictions come into effect immediately. Mr Barnett and Mr Steer agreed to settle this matter and the actions taken against them are final. A copy of the DFSA’s Decision Notices for both can be found in the Regulatory Actions section of the DFSA website.

The DFSA decided not to take any action against the firm that employed Mr Barnett and Mr Steer. The firm self-reported the misconduct to the DFSA after stopping the Desk’s activities in February 2016, and further cooperated with the DFSA’s investigation.

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For further information please contact:
Corporate Communications
Dubai Financial Services Authority
Level 13, The Gate, West Wing
Dubai, UAE
Tel: +971 (0)4 362 1613
Email: DFSACorpcomms@dfsa.ae
www.dfsa.ae

Editor's notes:

The Dubai Financial Services Authority (DFSA) is the independent regulator of financial services conducted in or from the Dubai International Financial Centre (DIFC), a purpose-built financial free-zone in Dubai. The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange. In addition to regulating financial and related services, the DFSA is responsible for administering Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) legislation that applies to financial institutions and Designated Non-Financial Businesses and Professions (DNFBPS) in the DIFC. Please refer to the DFSA's website for more information.

Bryan Stirewalt was appointed Chief Executive of the DFSA on 1 October, 2018, after nearly 8 years as the DFSA's Managing Director of the Supervision Division. In his role as Chief Executive, Bryan will take the lead in steering the work of the DFSA and further developing its capability as a robust regulator delivering world-class financial regulation in the DIFC. Bryan has played a vital part in executing the DFSA's regulatory mandate and developing its risk-based supervision framework. Bryan plays an active role in supporting the work of international standard-setting bodies. He now serves as the Co-Chair of the Basel Consultative Group (BCG), which provides a forum for deepening the Basel Committee on Banking Supervision's engagement with non-member, global supervisors on banking supervisory issues. Through this role, Bryan also serves as an Observer at the Basel Committee on Banking Supervision.