



CONSULTATION PAPER NO. 92

16 DECEMBER 2013

REGULATORY REPORTING UNDER THE PIB AND PIN MODULES

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Part 1: Introduction and Overview

Why are we issuing this paper?

1. This Consultation Paper seeks public comment on the DFSA's proposals to make amendments to the DFSA's policy framework, as expressed through its rules and through legislation. The proposed amendments relate to the reporting requirements under the PIB and PIN modules of the DFSA Rulebook.

Overview of proposals

2. The DFSA has reviewed the suite of reports that it receives through the Electronic Prudential Reporting System (EPRS), in the light of supervisory experience and the evolution of the business carried out by firms in the DIFC. We propose to withdraw some forms and introduce other new forms, so that we are able to receive the information we consider to be relevant to inform our prudential supervision.

Who should read this paper?

3. The proposals in this paper will be of particular interest to Authorised Firms to whom the requirements of the PIB or PIN Modules apply.

Terminology in this paper

4. In this paper, defined terms are identified throughout by the capitalisation of the initial letter of a word or of each word in a phrase and are defined in the Glossary Module (GLO) or in the proposed amendments in this paper. Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

How to provide comments?

5. All comments should be in writing and emailed to the address specified below. Please refer to the Consultation Paper number in the subject line. You may, if relevant, identify the organisation you represent in providing your comments. The DFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making comments.

Comments to be addressed or emailed to:

Consultation Paper No. 92
Policy and Legal Services
DFSA
PO Box 75850
Dubai, UAE

Email: consultation@dfsa.ae

Tel: +971(0)4 3621500

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6. The deadline for providing comments on the regulatory reporting proposals in the paper is **16 January 2014**.

What happens next?

7. Once we receive your comments, we shall consider if any further amendments are required to these proposals. For the proposals in this paper, we would expect then to make the relevant changes to the DFSA Rulebook. You should not act on these proposals until the relevant changes to the DFSA Rulebook are made; we shall issue a notice on our website telling you when this happens.

Structure of this paper

8. This Consultation Paper is structured as follows:

Part 1: Introduction and Overview

Part 2: Regulatory reporting

Appendix 1: Proposed amendments to the PIB module

Appendix 2: Proposed amendments to the PIN module

Appendix 3: Proposed amendments to the FER module

Appendix 4: Proposed revised forms to be included in the PRU module

Part 2: Regulatory reporting

Background

9. The DFSA has carried out a review of the systems it uses for supervisory purposes including, but not limited to, a review of the prudential reporting framework. This is the framework through which Authorised Firms report their financial, risk and activity related data to the DFSA. This reporting framework is a crucial component of the DFSA's supervisory approach: it provides data required by the DFSA to review various aspects of the activities of Authorised Firms, to seek to understand their businesses, and to assess the risk profile of Authorised Firms.

Objectives

10. A significant amount of work has been done to review and revise the forms used for data collection. The aim of the proposed changes is to:
 - (a) revise prudential data reporting against the DFSA's overall risk-based supervision approach and ensure that the associated regulatory burden is consistent – in general - with the overall risk profile of financial services activities of an Authorised Firm;
 - (b) collect an adequate level of financial and risk data to strengthen supervisory capabilities, including:
 - (i) determination of risk triggers, flags and indicators; and
 - (ii) systems, tools and methodologies for firm-specific, peer group and aggregate analysis of financial and risk data;
 - (c) collect sufficient financial and activity related data from Authorised Firms engaged in Asset Management, Brokerage and Trading Room operations;
 - (d) align more fully the supervisory data collected with the revised PIB rules and Basel III provisions; and
 - (e) fill a number of reporting gaps identified as part of the DFSA's self-assessment of its compliance with international standards for financial sector supervision. An example of this would be the proposed introduction of reporting of foreign exchange positions (required by the Basel standards on banking supervision).

Proposed changes

11. Following the review and revision of the forms for prudential reporting, we have determined a new set of reporting forms and the application of each form to different types of Authorised Firms. This consultation paper sets out in draft form the rules specifying their application to different types of Authorised Firms as well as their frequency of reporting. In particular, we set out:

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- (a) in Appendix 1, the rules relevant to firms to which the PIB Module applies; and
 - (b) in Appendix 2, the rules relevant to firms to which the PIN Module applies;
 - (c) in Appendix 3, the rules proposing consequential changes to FER Module.
12. Depending on the type of form, the application and frequency of reporting is determined on the basis of the purpose of the form, the nature of the data being collected in that specific form, and the relevance to different financial services activities. In the process of preparing the proposed revised set of reporting forms, we have sought and incorporated valuable feedback from a representative group of Authorised Firms.
 13. The proposed revised forms themselves will be contained within the Prudential Returns Module (PRU) and are not formally a part of this consultation. However, we recognise that firms will only be able to understand the potential impact of the changes on them, and in particular any impact on their information systems, if they can see and consider the forms. The proposed revised forms are, therefore, included in Appendix 4 and we would welcome comments on them.
 14. In order to reduce the time required by Firms to complete the forms, and noting some increased complexity of certain schedules which would apply to the largest Firms, we intend to enable an automated upload facility into EPRS using a flat file format. As part of this consultation process we would also welcome comments from firms who may wish to utilise such a facility.
 15. Lastly, the DFSA proposes that the period for submission of the Quarterly Regulatory Return (under PIN 6.5.7) and the Financial Group Capital Adequacy Return (under PIN 6.6.2) should be reduced from two months after the period end to one month after the period end. We believe this should not impose an increased regulatory burden on firms, having discussed their internal timetable for production of end-of-period figures with a number of Authorised Firms.

Issue for consideration

- Q1: Do you have any comments on the DFSA's objectives in proposing changes to regulatory reporting?
- Q2: Do you have any specific comments on the proposed changes to reporting under the PIB Module, as set out in Appendix 1?
- Q3: Do you have any specific comments on the proposed changes to reporting under the PIN Module, as set out in Appendix 2?
- Q4: Do you have any comments on the proposed revised forms in Appendix 4?