

*MEDIA RELEASE:*

## **DFSA Fines Deutsche Bank AG for Serious Breaches**

**Dubai, UAE, 15 April 2015:** The Dubai Financial Services Authority (“DFSA”), announced today, that it has fined the DIFC branch of Deutsche Bank AG (“DBDIFC”), USD \$8,400,000 (AED 30,849,000) for serious contraventions.

Those contraventions include misleading the DFSA, failures in DBDIFC’s internal governance and systems and controls and in its client take-on and anti-money laundering processes.

The DFSA’s action follows an investigation into DBDIFC which focussed on its activities from January 2011 to January 2014. The DFSA was initially concerned that DBDIFC had failed to properly classify some of its customers as Clients under DFSA Rules and, therefore, deprived them of certain protections under the DFSA’s regulatory regime. However, over the course of the investigation, it became clear that there were wider failings at DBDIFC.

The DFSA therefore broadened the scope of its investigation. In particular, the DFSA uncovered that DBDIFC was aware that its Private Wealth Management business (PWM) was operating in breach of DFSA requirements, but did not take adequate steps to address the issue. In addition, certain staff of DBDIFC provided false information to the DFSA on several occasions about the nature and scope of activities undertaken by PWM. The DFSA also found material failings in DBDIFC’s governance and has made directions to DBDIFC to remediate the DFSA’s concerns.

Mr Ian Johnston, Chief Executive of the DFSA said: “The provision of false information to the DFSA is a serious matter. One of the pillars of the DIFC regulatory framework is that Authorised Persons must deal with the DFSA in an open and co-operative manner and must disclose appropriately any information of which the DFSA would reasonably be expected to be notified.”

“The DFSA expects firms to have governance structures and systems and controls in place which encourage compliance with our rules and which promptly identify and remedy any regulatory failings. As demonstrated by the action against DBDIFC, the DFSA will take a robust stance where firms or individuals have breached these obligations. Had DBDIFC cooperated at an early stage of the investigation, the matter would have been resolved far sooner and at significantly less costs to both the DFSA and the firm. The fine imposed in this case reflects the seriousness with which the DFSA views these failings.”

The DFSA acknowledges that it was a small number of individuals in the firm who provided false information to the DFSA but believes that, with better governance within the Bank, this would have been identified and addressed earlier.

Since January 2014, DBDIFC has worked openly and cooperatively with the DFSA to remedy the failings. The Bank has also made a number of changes to its operating model and improved its internal governance arrangements.

DBDIFC agreed to settle the matter following the conclusion of the investigation and the fine was imposed by way of a Decision Notice agreed with the Bank. The DFSA therefore reduced the fine by 20% under the DFSA's policy for early settlement. Were it not for this discount, the fine imposed on DBDIFC would have been USD \$10,500,000 (AED 38,561,250).

A copy of the DFSA's Decision Notice can be found in the Public Register on the DFSA website under Regulatory Actions: <http://www.dfsa.ae/Pages/RegulatoryActions.aspx>

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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 1662  
Email: [kmohaisen@dfsa.ae](mailto:kmohaisen@dfsa.ae)  
[www.dfsa.ae](http://www.dfsa.ae)



**Editor's notes:**

**The Dubai Financial Services Authority (DFSA)** is the independent regulator of financial and ancillary services conducted in or from the Dubai International Financial Centre (DIFC), a purpose-built financial free-zone in Dubai, the United Arab Emirates (UAE).

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 ancillary services, the DFSA is responsible for supervising and enforcing Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) requirements applicable in the DIFC. The DFSA has also accepted a delegation of powers from the DIFC Registrar of Companies (RoC) to investigate the affairs of DIFC companies and partnerships.

**Mr Ian Johnston** was appointed Chief Executive of the DFSA in June 2012. Mr Johnston joined the DFSA in November 2006, as a Managing Director heading the Policy and Legal Services Division.

Mr Johnston was admitted to practice law in Australia in the early 1980's and spent most of his career in the private sector. He held a number of senior positions within the financial sector and was the CEO of one of Australia's major trustee companies. During that time, he played a leading role in the trustee industry and served on the National Council of the Trustee Corporations Association.

In 1999, Mr Johnston joined the Australian Securities and Investments Commission where he was Executive Director, Financial Services regulation, and spent several terms as an Acting Commissioner. In 2005, he took up a position as a special advisor with the Hong Kong Securities and Futures Commission.

Mr Johnston is a past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters (IOSCO, IAIS and the Basel Committee). In November 2013, he was elected to the Steering Group of IOSCO's Growth and Emerging Markets Committee. He is also a member of the Technical Committee of the IAIS, the global standard-setting body for insurance regulation, and is a member of the Board of Directors of the Financial Planning Standards Board.