

MEDIA RELEASE:

DFSA enforcement action against AI Masah upheld

Dubai, UAE, 4 November 2020: The Financial Markets Tribunal (FMT), a specialist independent tribunal, has affirmed a decision by the Dubai Financial Services Authority (DFSA) to take enforcement action against two firms and three individuals for unauthorised financial services activities and making misleading and deceptive statements.

The firms are AI Masah Capital Limited, a Cayman Islands registered company now in liquidation and AI Masah Capital Management Limited, a DFSA Authorised firm, also now in liquidation. The three individuals are Shailesh Dash, Nrupaditya Singhdeo and Don Lim Jung Chiat.

Following an eight day hearing earlier this year, the FMT issued its decision on 27 October in which it upheld the DFSA's decisions as set out in its [Decision Notices](#) of 25 September 2019 as publicised in the DFSA's [Media Release](#) of 11 May this year.

The FMT imposed financial penalties on all five:

- USD 3,000,000 (AED 11,010,000) on AI Masah Capital (AMC);
- USD 1,500,000 (AED 5,505,000) on AI Masah Capital Management Limited (AMCML);
- USD 225,000 (AED 825,750) on Mr Dash;
- USD 175,000 (AED 642,250) on Mr Singhdeo; and
- USD 150,000 (AED 550,500) on Mr Lim.

The FMT sanctions are the same as those imposed by the DFSA, except for the fine for Mr Singhdeo, which the FMT increased by USD 25,000. This was because the FMT saw Mr Singhdeo's responsibility for the misconduct as somewhat greater than that reflected in the fine imposed by the DFSA.

The FMT also upheld the DFSA's decision to prohibit all three individuals and concluded they are not fit and proper to perform any function in connection with financial services in or from the DIFC. The FMT also ordered them to pay the DFSA's costs of the proceedings.

The case involved complicated structures in which investors bought shares in companies that then bought shares in other businesses. However, the FMT agreed with the DFSA that the arrangements were investments in funds. The FMT took the view that these were managed by AMC, the Cayman registered entity, from within the DIFC when it was not authorised to do so.

The FMT found that the two companies and three individuals had concealed from potential investors the payment of placement fees to AMC. In particular, annual reports and audited financial statements had been altered to remove the full extent of fees that had been paid. The FMT noted that the misrepresentation of fees was intentional and deceptive, and the altered documents were used as marketing materials to persuade potential investors to invest, and so

any misleading statement therein would be a breach of the prohibition on misleading and deceptive conduct.

The FMT found that the two companies had committed breaches and that the three individuals were knowingly involved in the contraventions. Mr Dash was well aware that the investments acted much like Funds and tried to distance himself from this by claiming not to have any active roles in the companies. However, the FMT concluded he did not give accurate evidence about his role and found his claims “wholly unconvincing”. It was clear to the FMT that Mr Dash and his colleagues did not want the placement fees disclosed. The FMT found Mr Dash’s knowing concern and involvement demonstrated a lack of integrity calculated to facilitate the misleading of existing and potential investors. The FMT reached similar conclusions in respect of Mr Singhdeo and found that both of them breached their obligations as Authorised Individuals.

The FMT also found that Mr Singhdeo and Mr Lim were knowingly involved in altering a copy of a bank statement to conceal placement fees. It found the forgery was intended to mislead or deceive but could not be sure what the purpose was, but it seemed to the FMT that they were “seeking to cover their tracks” and was obviously in connection with a Financial Product or Service.

Bryan Stirewalt, Chief Executive of the DFSA, said: *"Firms and the individuals in charge have a responsibility to ensure that all financial services activities in or from the DIFC are appropriately authorised and carried out properly. The DFSA is particularly concerned by attempts to use legal structures to avoid regulation when the substance of the activity is a financial service conducted in or from the DIFC. This matter also shows the extent to which the DFSA will take action to ensure investors are treated fairly and are not misled by misrepresentation, concealment or omission. Protection of direct and indirect users of DIFC financial services is a key priority of the DFSA. The DFSA will also take appropriate action against individuals involved in the running of companies that breach the DFSA’s rules."*

The FMT's decision can be found on the FMT section of the DFSA website, and a copy of it can be accessed via this [link](#).

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Editor’s notes:

The Dubai Financial Services Authority (DFSA) is the independent regulator of financial services conducted in and 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, crowdfunding platforms, an international equities exchange and an international commodities derivatives exchange. In addition to regulating



financial and ancillary services, the DFSA is responsible for administering Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) legislation that applies 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 eight years as the DFSA's Managing Director of Supervision. In his role as Chief Executive, Bryan steers the work of the DFSA, further developing its capability as a robust regulator delivering world-class financial services regulation in the DIFC. Bryan plays a vital part in executing the DFSA's regulatory mandate and developing its risk-based supervision framework. Bryan also 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.

The **Financial Markets Tribunal** is established under the Regulatory Law (DIFC Law No. 1 of 2004). It hears and determines References and Regulatory Proceedings. Please refer to this [section](#) of the DFSA website for further information.