Media Release

DFSA fines two Abraaj group companies a total of USD 315 million for deceiving investors and the regulator

- Serious wrongdoing by two Abraaj group companies included carrying out unauthorised activities in the DIFC and misusing investors’ monies.
- These are the largest financial penalties ever imposed by the DFSA.

Dubai, UAE, 30 July 2019: The Dubai Financial Services Authority (DFSA) has today imposed financial penalties of USD 299,300,000 (AED 1,098,431,000) and USD 15,275,925 (AED 56,062,645) on Abraaj Investment Management Limited (AIML) and Abraaj Capital Limited (ACLID), respectively.

The DFSA investigation, which commenced in January 2018, was complex and spanned multiple jurisdictions, and found that AIML, a Cayman Islands company now in provisional liquidation:

- carried out unauthorised financial services, including fund management, within and from the DIFC;
- actively misled and deceived investors in Abraaj funds over an extended period;
- misused investors’ monies in various funds to meet its own operating and other expenses, which included payments to entities connected to some members of AIML staff, and to meet ever-increasing cash shortfalls; and
- concealed this by providing misleading financial information to investors and making false statements about the use of money drawn down from investors and distributions.
Among the many methods AIML used to deceive investors were:

1. **borrowing** money just prior to financial reporting dates to produce temporary bank balances at a level expected by the investors;
2. changing the reporting period for a fund to **disguise shortfalls**;
3. **deflecting demands** from various parties to provide updated financial information and bank statements; and
4. **lying about delays** in making distributions of exit proceeds to investors.

At the time AIML entered into provisional liquidation, because of the activities referred to above, two funds managed by AIML had a combined shortfall of at least USD 180 million.

With regard to ACLD, a DIFC company also in provisional liquidation, the DFSA investigation found that it:

- **failed to maintain adequate capital resources**;
- **deceived the DFSA about its compliance with various rules**, including capital adequacy requirements; and
- **was knowingly concerned in AIML’s unauthorised financial services activities**.

As a result of this misconduct, ACLD also breached the Regulatory Law as it:

- **failed to observe** minimum standards of integrity and fair dealing;
- **failed to ensure** its affairs were managed effectively and responsibly; and
- **failed to deal** with the DFSA in an open and cooperative manner.

Internal correspondence showed that Abraaj group’s compliance function raised concerns about the group carrying on unauthorised financial services within the DIFC as early as 2009, but ACLD’s senior management ignored this.
The DFSA has taken this action to penalise ACLD and AIML, deter others and protect investors. Before taking any further action to enforce payment of the fines, the DFSA will consider the firms’ circumstances at that time and the corresponding implications of enforcing the fines for fund investors.

Bryan Stirewalt, Chief Executive of the DFSA, said: “The size of these fines reflects the seriousness with which the DFSA views AIML’s and ACLD’s contraventions. Senior management rode roughshod over their compliance function and the misconduct and deceit were pervasive and persistent. We will pursue the persons or entities who perpetrated this activity, including those who allowed this to happen through major corporate governance breaches, to the full extent of our powers.”

The DFSA continues to investigate individuals and entities connected with this matter, in respect of their culpability, to the full extent of its powers and considering all sanctions available to it.

A copy of the DFSA’s Decision Notices can be found in the Regulatory Actions section of the DFSA website.

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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 eight years as the DFSA’s Managing Director of the Supervision Division. In his role as Chief Executive, Bryan is taking 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.