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In 2023, the Dubai Financial Services Authority (DFSA) conducted risk assessments on brokerage business models, focusing on compliance with regulatory obligations. This summary outline's key themes and findings to promote industry-wide improvements.

Background: Brokerage remains pivotal in DIFC's financial hub, witnessing 20% growth in 2023. Industry growth, acquisitions, and consolidations present compliance challenges. DFSA's risk assessments aim to ensure regulatory adherence and mitigate risks.

Key Findings for Conduct of Business:

1. General & Conduct of Business Compliance:
- Governance weaknesses in Board composition, roles clarity, conflict of Interest and overlaps.
- Compliance resource inadequacy hindering effective oversight and monitoring.
- Client classification deficiencies and outdated appropriateness assessments.
- Inadequate evaluation of clients' understanding and ability to handle high-risk products.
- Remuneration imbalance and lack of conduct-driven metrics.
- Inadequate handling of staff misconduct and compliance training.

2. Outsourcing & Reliance on Group Entities:
- Over-reliance on group policies without DIFC alignment.
- Outdated Service Level Agreements leading to operational inefficiencies

3. Suspicious Transaction Order Reports (STORs):
- Low quality and inaccurate STORs submission.
- Concerns over firms' understanding and systems' robustness.

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Key Findings for AML:

1. **Assessing Business & Customer AML Risks:**
   - Inadequate Business and Customer Risk Assessment methodologies.
   - Lack of alignment with DFSA regulations and National Risk Assessment (NRA) outcomes.

2. **AML Systems & Controls:**
   - Outdated or generic AML policies and procedures.
   - Insufficient Management Information hampering oversight.

3. **Customer Due Diligence (CDD) & Enhanced CDD:**
   - Inconsistent CDD application and inadequate Enhanced CDD procedures.

4. **Ongoing Customer Due Diligence:**
   - Ineffective ongoing CDD leading to incomplete and outdated records.

5. **Qualities of a MLRO:**
   - Insufficient resourcing hindering MLRO effectiveness.

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Suggested Actions:

- Regulated firms are urged to review their governance, compliance resources, and policies.
- Emphasize aligning with DFSA rules and enhancing AML frameworks.
- Strengthen staff training, monitoring, and reporting mechanisms.