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Dubai
International
Financial
Centre

Setting In Up The **Dubai International Finance Centre**

DIFC Business Formation Handbook: A Comprehensive Setup Guide



DIFC In Dubai

Dubai International Financial Centre is a gateway to a world of unparalleled business opportunities. Nested in the heart of the vibrant city of Dubai, DIFC has earned its reputation as a premier financial and business centre with a global outlook. It serves a bridge between East and West, providing a platform for innovation, collaboration, and success.

Whether you are interested in financial services, technology, commerce, or any other sector, DIFC 's diverse ecosystem offers a wealth of possibilities. From understanding the regulatory landscape to choosing the right business structure, we are here to support every turn.

Let us see what DIFC is and what DIFC can offer:

What Is DIFC?

The Dubai International Financial Centre (DIFC) operates as a Financial Free Zone located within the United Arab Emirates (UAE). Within this specialized zone, entities benefit from a unique legal and regulatory framework. The DIFC boasts its own set of civil and commercial law, distinguishing it from the broader legal system of the UAE. Additionally, it is overseen by Dubai Financial Service Authority (DFSA), a dedicated financial services regulator.

One of the standout features of the DIFC is that firms choosing to set up operations within its boundaries enjoy the privilege of 100% foreign ownership. Furthermore, the

regulatory environment within the DIFC closely mirrors the regulatory standards and practices established in United Kingdom, that is Common Law. This alignment with the Common Law Principles contributes to a sense of familiarity and transparency for business entering the DIFC, making it an attractive destination for international companies looking to establish a presence in the region. This unique and advantageous business environment, combining a favourable legal and regulatory landscape with flexibility of foreign ownership, making it a prime location for international businesses and new companies seeking to operate within the UAE and the wider Middle East region.



Types of Business & License Activities

The specific nature of your business activities and the type of licensed services you plan to provide will determine the category of license you will need within DIFC. To elaborate, firms engaging in low-risk functions like advising or arranging will typically seek a Category 4 Licence. Discretionary asset managers will require a Category 3C License, while agency brokers or entities dealing on a matched principal basis will opt for a Category 3A License. If you intend to operate as a primary dealer or offer credit, you will need a Category 2 License. For those wishing to function as a deposit taker, a Category 1 License is essential.

Each category of license corresponds to specific minimum capital requirements. For a Category 4 firm, the minimum capital requirement is \$10,000. This capital requirement increases substantially as you move up the categories, ranging from \$70,000 to \$4 million for Category 3 Firms, \$2 million for Category 2 firms, and \$10 million for Category 1 firms.

It is worth noting that there are discreet licensing requirements for fund managers overseeing Qualified Investment Fund (QIF's). These managers may benefit from reduced capital requirements for Venture Capital Firms (VCs).

Additionally, capital waivers may be accessible to DIFC branches of financial institutions that are already regulated and have their head offices located in recognised regulatory jurisdiction.

Category 1

- Accepting Deposits
- Managing a PSIAu

Category 2

- Dealing investments as Principal (not as Matched Principal)
- Providing Credit

Category 3A

- Dealing investments as Principal (as Matched Principal)
- Dealing as Agent

Category 3B

- Providing Custody (only for a Fund)
- Acting as the Trustee of a Found

Category 3C

- Managing a Collective Investment Fund
- Managing Assets
- Providing Trust Services as a trustee of an express trust
- Managing a PSIAr
- Providing Custody (other than for a Fund)

Category 3D

- Providing Money Services (Other than issuing Stored Value)

Category 4

- Arranging Deals in Investments
- Advising on Financial Products
- Arranging Custody
- Insurance Intermediation
- Insurance Management
- Operating an Alternative Trading System
- Providing Fund Administration
- Providing Trust Services other than as a trustee of an express trust
- Arranging Credit and Advising on Credit
- Operating a Crowdfunding Platform

Category 5

- An Islamic Financial Institution which Manages a PSIAU

Participants in the FinTech Hive program who offer products or services that fall under the purview of regulatory oversight will need to obtain an Innovation Testing License (ITL) sanctioned by the Dubai Financial Service Authority (DFSA). This ITL allows them to develop and test their innovations under a controlled license, adhering only to the relevant regulations during the testing phase. As participants demonstrate their ability to meet the prerequisites for full authorisation, they can transition from an ITL to a comprehensive regulatory license.

Incorporation In a Nutshell



Prior to applying for a license with the Dubai Financial Service Authority (DFSA), firms must undertake essential preliminary steps. These steps involve meetings with the business development team at the Dubai International Financial Centre (DIFC) and the authorisation team at DFSA. The aim is to ensure a clear understanding of proposed business activities alignment with the statutory objectives of both DIFC and DFSA.

Following these meetings, applicants are required to submit a letter of intent to DIFC, along with a draft of their Regulatory Business Plan (RBP). This RBP serves as the foundational document for the license application and must undergo DFSA review before proceeding with the full application.

The complete application includes the RBP and all necessary supporting documentation. It enables DFSA to assess the applicant's fitness, expertise, and available resources for the intended business activities. Additionally, DFSA evaluates whether the applicant has established appropriate governance, risk management, and compliance frameworks to ensure ongoing compliance with both DFSA and DIFC regulatory requirements.

Steps To Incorporate In DIFC

Let us briefly see the steps involved in DIFC incorporation:

- Entities must apply for incorporation or registration on DIFC.
- By submitting the application to the Registrar of Companies (ROC), who will advise, receive, review, and process all application.
- The ROC will provide a detailed checklist of required forms and supporting documents to be submitted.
- The ROC will issue a Commercial License along with a certificate of incorporation, registration, or continuation.

Process Timeline

The DFSA aims to process authorisation applications within a period of 1 to 3 months from the date of submission. The specific timeline can vary depend upon factors such as the nature, scale, and complexity of the business, the level of risk associated with its operations, and the background of its managers and controllers.

Our services include coordinating the entire application process, offering clear guidance, and keeping you informed at every stage. We will also assist you in managing relationship by attending meetings on your behalf and overseeing all communication and correspondence to ensure a smooth and efficient application process.



Application & On-Going-Business Fees Overview

Application and annual fees set by the DFSA typically vary within a range from **\$2,000 to \$100,000**. The exact fee depends on the specific permission being sought. In addition to DFSA fees, there are separate costs associated with incorporation, which amounts to **\$8000**. Furthermore, the DIFC Commercial License comes at an initial cost of **\$12,000** and is renewable.

For precise and up-to-date information on the fees and costs that apply to your particular licensing requirements, we can provide you with detailed guidance and information.

How MS Can Help you To Achieve your Entrepreneurial Journey

At MS we will be your invaluable partner, accompanying your firm throughout entire application process. We will take full responsibility for all aspect of the application, ensuring smooth processing of incorporation application and ensuring compliance required to satisfy the DFSA's regulations.

Beyond the authorisation phase, our team of highly-experienced consultants are ready to provide continuous support and guidance in firm's accounting and tax requirements. We can ensure you a comprehensive solution for your regulatory, operational, and financial needs.



Step Up, Setup and Scale Up in DIFC with MS

MS is a streamlined and enterprise-ready Advisory and Financial services firm in UAE, offering **Advisory, Tax , Technology, Accounting and consultancy services.**

MS services include:



Advisory

The point where strategy and execution meet is a focus for our advisory experts. Use our adaptable advisory engagement model to overcome your most difficult problems.



Business Setup and Compliance

With tailored focus on providing advisory and incorporation assistance for companies from all over the world, to set and expand one's roots in Abu Dhabi,



Accounting

We believe in smart work and thereby provide customized accounting services tailored to our client's needs by saving their time and money.



Taxation

We can ensure your business is fully compliant with the numerous key filings and legislation, and that you have minimized your liability.

Whatever support you need to establish or grow in DIFC, MS is here to help.



Take Your First Steps Into DIFC

Your satisfaction is our mission &
your feedback is our fuel.
We can't wait to hear from you.

For more information, visit:

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