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To the Senior Executive Officers
of DFSA Authorised Firms

1st November 2007

Dear SEO,

Re: Changes in the Frequency and Scope of On-site Risk Assessments for Low-Risk Firms

As you are aware, the DFSA's supervisory approach is risk-based, allowing it to identify and focus its attention on the areas where there are perceived to be the greatest risks to its objectives and avoid unnecessary regulatory burden. As part of this approach, all Authorised Firms are subject to an on-going risk assessment process. This process allows the Authority to risk rate Firms based on criteria such as size, rapid growth and/or complexity.

To that end, we have taken the decision that Category 4 Firms, as defined in the Prudential Investment, Insurance, Intermediation and Bank Business Module (PIB) Chapter 1, who are deemed to have an overall risk rating of LOW will not be subject to a fixed routine cycle on-site risk assessment visit. We will continue to carry out desk-based reviews including an on-going review of these Firms' financial reports and any other reports which the DFSA requires these Firms to submit. In addition, the DFSA may from time to time have periodic meetings with the Senior Management of these Firms to discuss any issues that it may feel appropriate. These Firms may also be included in thematic reviews which the DFSA periodically carries out.

In the event that the DFSA considers that the overall risk profile of any of these Firms has increased e.g. due to change in business model or services offered, the DFSA may re-establish the on-site risk assessment process as part of its continual risk assessment process.

Finally it should also be emphasised that under Core Principle 10 (Relations with Regulators), as defined in Chapter 4 of the General Module, Authorised Firms must deal with the DFSA in an open and co-operative manner and keep the DFSA promptly informed of significant events or anything else relating to the Authorised Firm of which the DFSA would reasonably expect notification.

If you wish to discuss this matter or require any further information please do not hesitate to contact your Relationship Manager.

Yours sincerely,

Michael Zamorski
Managing Director, Supervision

