

DIFC Authority Board Approval - Innovation Entities

This Guidance (“**Guidance**”) provides a list of permitted Innovation Entities pursuant to the definition of Innovation Entity under the DIFC Prescribed Company Regulations (the “**Regulations**”) and sets out additional requirements that must be met by a Prescribed Company with the Qualifying Purpose of Innovation Holding Structure.

Given the developing nature of the innovation sector, this Guidance is not intended to remain static and will be updated from time to time.

1. Definitions

Defined Term	Definition
Applicant	a person who wishes to establish a Prescribed Company with the Qualifying Purpose of Innovation Holding Structure.
DIFC Innovation Entity	A Registered Person with a license that is categorised as falling within the innovation sector by the DIFC Authority.
ESGTech	the application of technology to provide products or services to measure, track or monitor ESG performance or to provide products and services for improving corporate governance.
FinTech	the application of technology to improve or automate traditional forms of financial services or to develop products or services in the financial services industry.
InsurTech	the application of technology to improve or automate traditional forms of insurance or to develop products or services in the insurance industry.
RegTech	the application of technology to provide products or services to improve or automate regulatory monitoring, reporting, and compliance within the financial services or insurance sector and any compliance related thereto.

An undefined term that is used in this Guidance and is also used in the Relevant Laws shall have the same meaning in this Guidance.

2. Innovation Entity

2.1. This paragraph 2.1 sets out a list of permitted Innovation Entities:

- (a) a DIFC Innovation Entity
- (b) an ESGTech entity;
- (c) a Fintech entity;
- (d) an Insurtech entity;
- (e) a RegTech entity; or
- (f) a metaverse software developer.

2.2. Paragraph 2.3 sets out a non-exhaustive list of entities that are not considered to be an Innovation Entity.

2.3. An entity that:

- (a) is an e-commerce platform; or
- (b) operates a traditional form of business (that may or may not use technology in the development, delivery or sale of its products or services) including but not limited to:
 - (i) traditional forms of banking, accountancy or insurance business;
 - (ii) consultancy (including but not limited to management, finance, design or IT consultancy);
 - (iii) legal service providers;
 - (iv) retailers selling established products or upgraded versions of existing products;

- (v) education providers; or
- (vi) art exhibitors and galleries (including the sale or exhibition of digital art).

3. Innovation Holding Structure requirements

- 3.1. An Innovation Holding Structure shall only hold:
 - (a) shares in an entity (or entities) licensed as, or otherwise incorporated for the sole purpose of being, an Innovation Entity; or
 - (b) the intellectual property held by an Innovation Entity within the Innovation Holding Structure.
- 3.2. An Innovation Holding Structure must appoint a Corporate Service Provider, unless it is established for the sole purpose of holding shares in one or more DIFC Innovation Entities.
- 3.3. The Corporate Service Provider must have an arrangement with the Registrar under which:
 - (a) any document, form or fee required by the Regulations or the Relevant Laws to be lodged with or paid to the Registrar for the incorporation or continuation of the Prescribed Company, may be lodged with or paid to the Registrar by the Corporate Service Provider; and
 - (b) the Corporate Service Provider is required to perform some or all assessments, checks and verifications required under these Regulations or the Relevant Laws to ascertain and confirm whether an Applicant or Prescribed Company (as applicable):
 - (i) adheres to all AML Requirements, the UBO Regulations and other requirements of the Relevant Laws;
 - (ii) maintains Accounting Records in accordance with Regulation 4.3.1 of the Regulations; and
 - (iii) complies with Regulation 3.1 above,

and to provide a certification of such matters to the Registrar in an agreed format.
- 3.4. For the purposes of Paragraph 3.3(b)(iii) above the Corporate Service Provider must ensure that the Innovation Holding Structure holds shares in one (1) or more Innovation Entities within one (1) year of its establishment.
- 3.5. An Innovation Holding Structure that is established for the sole purpose of holding shares in one or more DIFC Innovation entities must provide written confirmation to the Registrar that it holds shares in one or more such entities within one (1) year of its establishment.
- 3.6. Regulations 3.3.3, 3.3.4 and 3.3.5 of the Regulations shall apply to the arrangement between the Corporate Service Provider and Registrar.