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Drivers of innovation in financial services

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Content

Message from **DIFC**

Arif Amiri
CEO
DIFC Authority

Dubai International Financial Centre (DIFC) is the largest financial services ecosystem in the Middle East, Africa and South Asia (MEASA) region and has become a preferred destination for financial institutions from all sectors. The Centre is home to more than 4,900 clients, including 17 of the world's top 20 banks and 25 of the world's top 30 global systemically important banks, that provide services in areas such as wholesale banking, trade and export finance, project and infrastructure funding and treasury services.

The increasing competition from new players disrupting the industry has been encouraging a focus on transformation across these financial institutions, which are thinking out-of-the-box and exploring new strategies, practices and technologies to enhance their business models to maintain their competitiveness and market shares.

DIFC has been a catalyst for driving change through innovation in the financial industry, successfully bolstering its position as the leading finance and innovation hub in the region. Although innovation has been at DIFC's core since establishing almost 20 years ago, since 2016, we have emphasised our vision to drive the future of the finance industry. A range of initiatives such as developing future focused laws and regulations, establishing the first and largest FinTech accelerator programme through to establishing the region's first open finance lab demonstrate our progress.

DIFC provides a world-class comprehensive innovation ecosystem, the largest start-up ecosystem in the region. The Dubai Innovation Hub hosts the most diverse community of start-ups, growth stage businesses and global unicorns, bringing them together with venture studios, financial institutions and other partners, offering ready access to the capital, talent and other resources that such enterprises need to succeed.

Message from **Refinitiv**

Nadim Najjar
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Innovation in the financial industry has become more important than ever with the continuous and fast pace of disruption in the industry pushing all players to find new ways of doing business. FinTech has been a cornerstone for the financial innovation in recent years, introducing a growing range of new technologies that enable new business models, applications, processes or products.

Some of the technologies that will be shaping the outlook for the financial industry, including open finance, digital assets and DeFi, promise to improve banks' operational efficiency and risk management capabilities, if supported by a proactive approach to business transformation.

As a strategic hub for FinTech and innovation companies in the region, Dubai is home to a comprehensive innovation ecosystem that provides financial institutions and FinTechs alike the tools, platforms and regulatory support that enable financial innovation. These include, forward-thinking regulations, accelerator and venture building platforms, to a wide range of venture capital and other startup funding opportunities, in addition to internationally-recognised talent development programmes.

Through the DIFC Innovation Hub , the Centre has successfully attracted more than 800 FinTech, RegTech, InsurTech and other innovative companies at different stages of development, with more than 60 per cent of GCC FinTech firms.

The "Drivers of innovation in financial services" report is the second in a series of reports covering recent trends emerging in Dubai's financial industry, a collaboration between DIFC and London Stock Exchange Group. The report provides an overview of innovation in the financial industry, and insights on new financial innovations that will shape the industry in the next five years. It also outlines DIFC's value proposition as a gateway to the MEASA region and as a regional hub for financial innovation.

Executive summary

Established financial services companies have needed to innovate to remain relevant and maintain their positions in the market. Innovation is well understood in retail financial services, however the corporate and investment banking sectors are also adapting to keep pace with the new technologies.

This report focuses on the importance of innovation across the financial services industry.

The financial services industry will need to adopt a proactive approach to transform the way they do business, differentiating their offerings and business models, aiming to convert these challenges into opportunities for growth.

Five main pillars have been driving this transformation for incumbents. Firstly, evolving client preferences are dictating the changes to corporate banking offerings and to how they engage with their clients. Meanwhile, new regulations are guiding financial institutions in how they adopt new technologies and practices, so as to ensure they are not exposed to serious risks such as money laundering. Also, regulatory sandboxes will ensure that experimental FinTech products do not compromise the wider financial system's soundness and stability.

Another key driver of innovation is investments in FinTech, which are projected to grow by 17.2 per cent CAGR from 2022, reaching USD 949bn by 2030. This will provide the capital that start-ups need to keep innovating. Lastly, changes in workplace culture at corporate banks are steering innovation in working arrangements and internal processes that can facilitate remote working and flexible working hours.

Financial services digitalisation has begun to leverage new technologies such as artificial intelligence, machine learning and robot processing automation to achieve faster and more streamlined processes.

Open banking, distributed ledger technology (DLT), and digital assets will help streamline payments transactions and simplify financial management for corporates.

DIFC is home to the MEASA region's largest and most comprehensive innovation ecosystem. The DIFC Innovation Hub offering is on par, if not superior to propositions offered in places including London, Singapore and Sydney.

Established banks can benefit from sourcing solutions from start-ups and growth stage companies in the DIFC Innovation Hub. Additionally, the DIFC Launchpad, a venture studio proposition can help corporate banks to accelerate their approach to innovation.

This report presents the four main trends that will shape the next wave of innovation in financial services: open finance; decentralised finance (DeFi); digital assets; and ESG.

Open finance will be the next step in the evolution of open banking, expanding its scope to cover most financial services, including savings, investments, mortgages and insurance. Additionally, open finance could make corporate banking processes such as applications for credit lines more efficient, allowing clients to immediately share their financial data with banks thus enabling quicker eligibility checks.

Although DeFi has been perceived as a disintermediation threat, it currently presents an opportunity for corporate banks to leverage its capabilities to enhance their offerings and achieve operational efficiencies. The use of DeFi platforms has the potential to become a disruptive force in banking.

Digital assets, meanwhile, are something traditional financial institutions are becoming less apprehensive about incorporating into their business. They will soon be leveraging their extensive risk management and regulatory expertise to support the adoption of digital assets within their operations.

ESG considerations are becoming increasingly important for banks, in tandem with a growing regulatory focus on ESG issues and risks. Along with increasing requirements for banks to report on their ESG progress, banks are developing products which incorporate associate performance metrics.

Innovation in financial services overview

INNOVATION DRIVERS

- **Demand** (client preferences)
- **Regulation**
- **Capital** (investments)
- **Operational efficiency**
- **Talent** (workplace culture)

RECENT INNOVATIONS

- Financial services digitalisation
- Open banking
- Blockchain, DLT and digital assets
- Sustainable finance

OUTLOOK AND OPPORTUNITIES

Open finance

- Extension of open banking
- Consolidates all personal financial data

DeFi

- Digitalising bank functions
- Streamlining transaction banking

Digital assets

- New financial products
- Digital assets custody service

ESG

- Digitalising ESG risk reporting
- Transition finance

FOSTERING A CONDUCIVE ECOSYSTEM FOR INNOVATION IN DUBAI

CAPABILITY → **GROWTH**

DIFC ACADEMY
- Education
- Talent Development

DIFC INNOVATION HUB
- Accelerator programmes
- Operating licenses
- Community engagement
- Co-working spaces
- Events

INNOVATION TESTING LICENCE
(DFSA SANDBOX)
- Developing and testing regulated products
- Regulatory licensing

DIFC CLIENTS
- Mentoring
- Networking
- Purchasing financial solutions

DIFC VENTURE DEBT FUND
DUBAI FUTURE DISTRICT FUND
REGIONAL/ GLOBAL VC + PE
- Access to funding

DIFC LAUNCHPAD
- Venture studio support for growth
- Corporate innovation

Innovation in financial services overview

Innovation has become a necessity in financial services

Financial services today faces ongoing disruption from new industry practices and technologies, in addition to new market players solely intent on disrupting industry norms. Therefore, they will need to continually innovate their offerings and business models to keep them relevant and to at least maintain their positions in their respective markets.

Innovation involves experimenting with new practices, technology, strategies and opportunities so that an existing business model can become more competitive, gain market share, or capitalise on new market opportunities. Management needs to adopt a strategy of out-of-the-box thinking to innovate around existing technologies, products, services or business models, or to invent new ones. Innovation generally takes one of three forms:

Disruptive innovation

Changing how a market works

This is the ultimate in innovation as it involves creating a whole new market or entering the least profitable share of a market to improve its offering and take it mainstream.

It is the least common form of innovation as it requires 'blue-sky thinking' – searching for completely new ideas – and experimentation, which requires dedicated space, time and resources. As a result, larger incumbent financial institutions often utilise innovation by collaborating with start-ups chosen to find solutions to their challenges.

Business model innovation

Changing how a business works

Business model innovation focuses more narrowly on adjusting existing operations to find new ways of doing business, which helps to meet customers' changing demands and expectations.

This type of innovation often sees a fundamental change in how financial services providers deliver value to their customers, whether through the development of new revenue streams or new distribution channels.

Product innovation

Changing what a business offers

Product innovation is the most common type of innovation and can be done in two ways: creating and introducing new products to the market; or improving existing products.

Reinventing and renewing growth in financial services

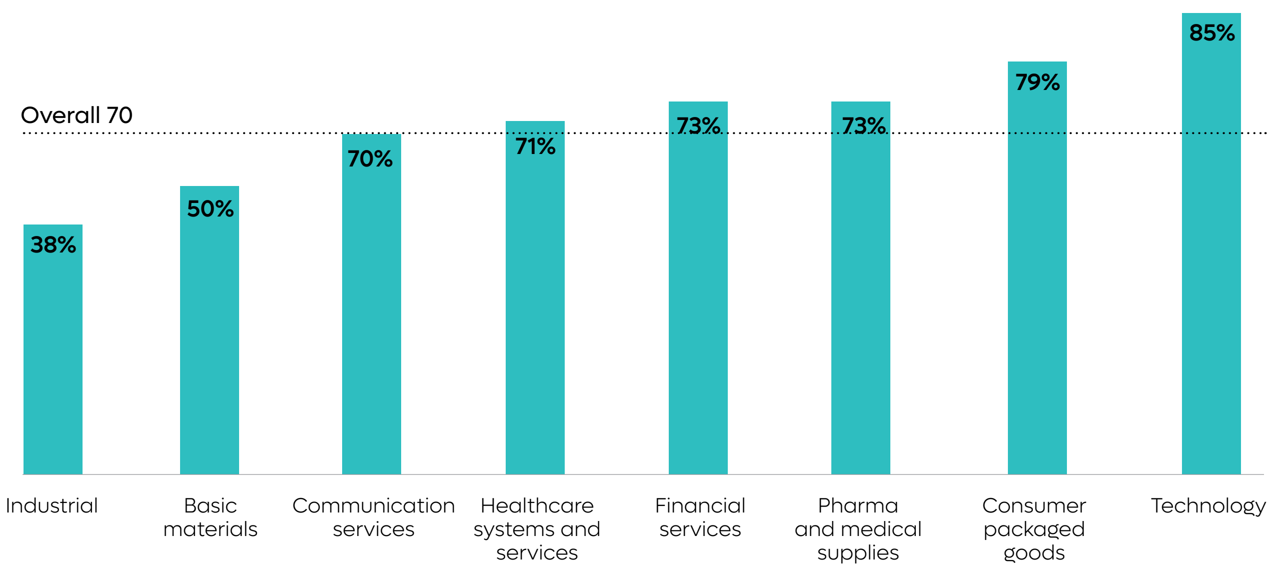
Innovation requires impetus. The Covid-19 pandemic had sparked a wave of innovation that would fundamentally change the way financial institutions do business. Banks were forced to adopt new technologies and adapt their business models to changing social norms and working arrangements in order to become more flexible and survive an unpredictable environment.

The need for digital financial services and innovative solutions during the pandemic beckoned new players to the market. This disrupted the industry and challenged the traditional roles of financial institutions. The increased competition from these new players, supported by enhanced technological capabilities and innovative business models, compromised the market share, profitability and growth opportunities of incumbent financial institutions.

Banks for example, faced new competition from FinTechs offering alternative and more accessible credit channels, such as digital banks and peer-to-peer (P2P) lending platforms. Within a few years, the market landscape was no longer dominated by banks as alternative lending models became more prominent.

Despite this challenge, financial institutions could still focus on their competitiveness and renewed growth once the pandemic subsided by embracing new practices and technologies and looking at new ways of operating. In a 2020 global survey by McKinsey of more than 200 companies across various industries, 73 per cent of executives from the financial services industry said they expected the pandemic to be one of the biggest opportunities for growth in their industry.

Share of executives who expected the Covid-19 pandemic to be one of the biggest opportunities for growth in their industry

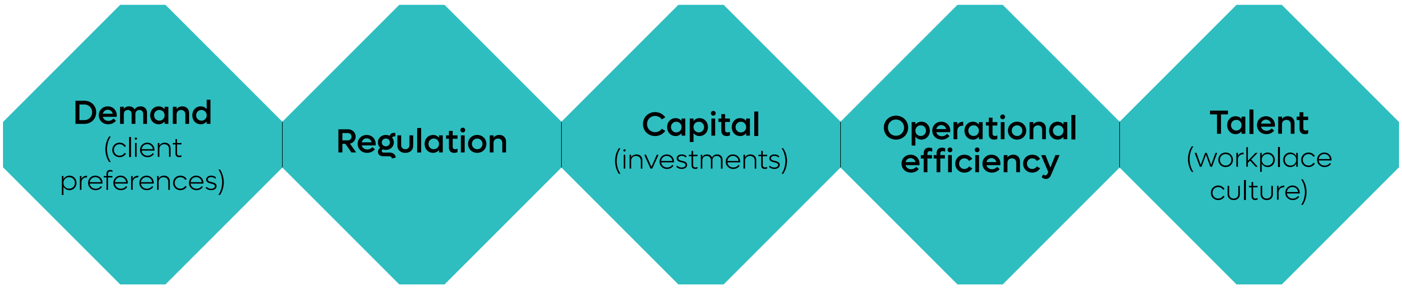


Source : McKinsey Innovation through Crisis Survey, April 2020

To ensure their survival and maintain or grow their market shares, financial institutions will need to adopt a proactive and comprehensive transformation strategy that aims to tackle both old and new challenges simultaneously. To achieve this, they will need to ensure the right balance between the pace and scale of their transformation goals.

There are five main pillars that will drive the transformation in the current environment, determining which areas of their business need innovation, whether these are the bank's products, practices or internal processes.

Drivers of financial innovation



Demand: Evolving client preferences and expectations

Clients' needs, preferences and expectations from their financial services' providers are evolving along with the introduction of new technologies, systems and business practices. While it had formerly been easier for incumbents to maintain a leading market share with little change to their operations and offerings, the entry of new, smaller, disruptive players, supported by new technology and innovative practices, has challenged the status quo and heightened competition. For example, the introduction of products and services from new players have given clients additional options to choose from - some of which they never knew they needed. In turn, this results in clients changing their preferences.

Regulation: Minimising innovation risks to encourage FinTech adoption

Regulators can be an enabler for innovation by issuing frameworks and guidance that would minimise risks from the misuse of new technologies or practices for unsanctioned activities such as money laundering or terrorism financing. Having a regulatory framework in place would provide much needed clarity as well as assurance that these innovative solutions would be less exposed to such risks as they would be regularly monitored by the regulator.

Regulatory sandboxes can also play an important role in fostering innovation, as they allow live testing of new technologies and financial products within a controlled environment, thus ensuring the stability and soundness of the wider financial system. They also enables regulators to make faster and better-informed decisions on whether to license technologies, and how best to regulate and supervise them once they reach market.

Capital: Increasing investments will fund new FinTech innovations

Financial institutions and venture capital (VC) investors will continue to increase their investments in FinTech, which are projected to reach USD 949bn by 2030, growing at a 17.2 per cent CAGR from 2022, according to estimates by Grand View Research. This growth will be driven by the increasing adoption of FinTech-based solutions and platforms, leveraging artificial intelligence, cloud-based software, and big data integrated with financial services.

The investments will provide the necessary capital for financial institutions and FinTech start-ups to continue developing their innovative solutions or to expand into new areas in the financial innovation space.

Operational efficiency: Minimising the costs of providing financial services.

Financial institutions across the board continue to operate in a challenging economic environment marked by high inflation and borrowing costs, in addition to new global risks. As a result, improving operational efficiency through cost-cutting has become a priority for many financial institutions. In such cases, business model and product innovations can reduce operating costs and improve the efficiency of internal processes, leveraging automation technologies such as artificial intelligence (AI), DeFi or blockchain to streamline inefficient processes and reduce financing costs when compared to traditional bank financing.

Talent: Changes in workplace culture shifting employee expectations

Employees are increasingly demanding remote working arrangements or at least flexibility in working hours. These arrangements are also emerging as a key consideration for new talent during job interviews. Remote working became the norm for most employees during the pandemic, which caused mainly larger financial institutions to struggle with raising attendance once lockdowns were lifted. They ultimately settled on hybrid working arrangements to retain their highly skilled talent in a hugely competitive industry for talent.

Talent can drive innovation within a financial institution. Working remotely requires adapting internal systems to maintain the efficiency of operations. Most financial institutions shifted their internal systems to the Cloud during the pandemic, while some also created new online HR systems to manage hybrid working arrangements and make internal services more accessible.

Recent innovations in financial services

Innovation in financial services mainly stems from financial technology, or FinTech, which encompasses a growing range of new technologies that enable new business models, applications, processes or products. While this type of innovation is not new, investment in new technologies has substantially increased in recent years, accelerating the pace of FinTech innovation. More recently, some of the new technologies that have been shaping the development of the digital economy, such as AI, are also being used by financial institutions to improve the efficiency of their internal processes and enhance their risk management capabilities.

Financial services digitalisation

Digitalisation has become increasingly important for financial institutions, as they can offer automated online financial services that allow clients to conduct their financial operations remotely. New digital technologies such as AI, machine learning, distributed ledger technology (DLT), cloud computing and big data analytics, the internet of things (IoT), and robotic process automation (RPA) have contributed to the development of new processes and business models that allow clients to manage money and financial operations more easily and efficiently through online channels.

Some examples of digitalised financial services that are being offered to clients include:

Digital payments enable faster, streamlined, more efficient and secure domestic and cross-border payments, while allowing real-time visibility into spending.

Digital banking solutions allow users to manage all their bank accounts through a single platform, helping them to better organise finances. Digital banking also enables better visibility of a person or company's financial position by synchronising its accounts.

Digital lending platforms are systems that leverage powerful algorithms to automate the entire loan process, from pre-screening, application and underwriting to disbursement. These platforms benefit from making fast, consistent and cost-effective loan decisions within predefined risk margins.

Digital insurance solutions allow individuals and corporates to access policies, file and track claims, receive assistance, and make payments through a single platform, thereby improving efficiency and reducing costs.

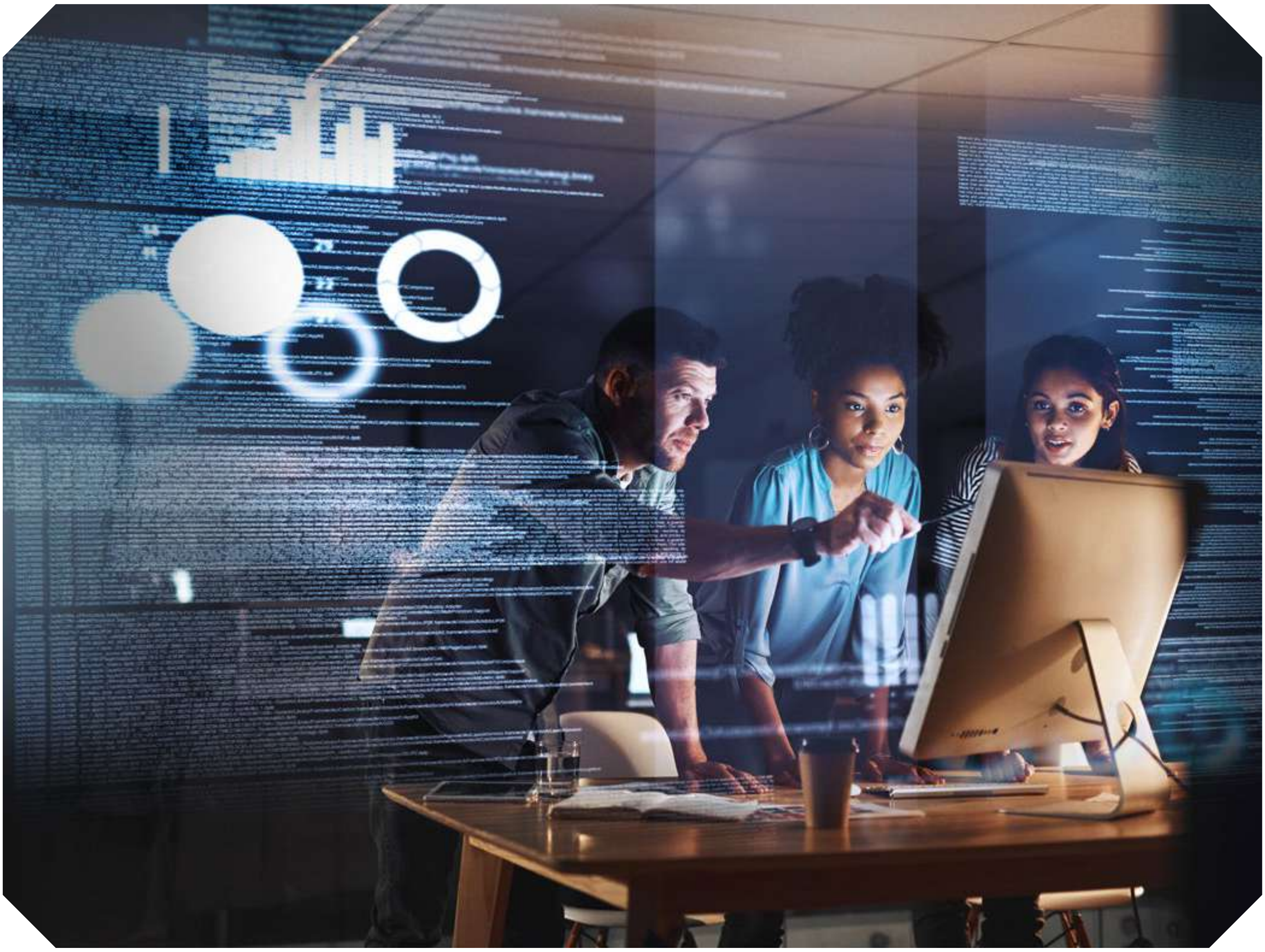
Payroll FinTech includes payroll and corporate benefits management, making not only deposits of employee wages into their accounts, but also performing tasks such as calculating working hours, handling taxes, generating documents supporting evidence for supervisory bodies, and enabling the creation of different management reports.

Open banking

Open banking is a system that allows the sharing of bank account data between banks and regulated third-party payment and other financial services providers using application programming interfaces (APIs). This system provides corporate clients with real-time visibility of their bank account data so as to facilitate better decision-making, more effective management of financial resources, and greater control over financial risk, while boosting operational efficiencies by reducing the cost of operations.

Open banking-enabled tools provide access to all finances, transaction history, and spending categories in one unified format, which makes sharing them easier with auditors, tax authorities, and potential investors. These tools improve cash visibility by allowing corporates to manage multiple accounts held at various banks in one place, thus providing enhanced oversight of globally scattered corporate banking data in real time.

Other benefits of open banking for corporates include the automation of key business processes such as accounting, billing, and invoicing, and eliminating the need to enter all details manually, thus saving time, money, and resources. It also enables the automation of letter of guarantee requests, thereby minimising the risk of disputes and fraud, and improving the flexibility and efficiency of handling such documents.



Distributed ledger technology (DLT) – blockchain, digital assets and decentralised finance (DeFi)

Blockchain – the most common application of DLT – is a database that maintains a continuously growing list of ordered records, known as 'blocks'. Each block is stored in a ledger, and multiple copies of that ledger exist within a network, which makes it more challenging to falsify database changes.

In addition, each change to the distributed ledger is time-stamped and cryptographically secured, so that historical transactions cannot be deleted or modified, thus reinforcing data integrity. These features provide a level of reliability that can support financial use case for digital assets, for instance, since they allow the streamlining of transactions reconciliation and help prevent fraud, among other financial and operational risks.

Blockchain allows parties to operate without relying on the trust of any single player for the system to function. Blockchain and DLT have the potential to disrupt the banking industry by disintermediating the key services that banks provide. However, banks may also leverage these technologies to transform the services that they already offer, such as:

Payments, by establishing a decentralised ledger for payments (e.g. Bitcoin), blockchain technology could facilitate faster payments at lower fees compared to those made through banks.

Clearance and settlement systems, where distributed ledgers eliminate the need to reconcile multiple ledgers, thus reducing operational costs and enabling the settlement of transactions between financial institutions closer to real time.

Fundraising through Initial Coin Offerings (ICOs) has enabled experimenting with a new financing model that unbundles access to capital from traditional capital-raising services.

Securities, using blockchain to create more efficient and interoperable capital markets by tokenising traditional securities such as stocks, bonds and alternative assets and then placing them on public blockchains.

Loans and credit, by removing the need for gatekeepers or intermediaries in the loan and credit industry, blockchain can make it more secure to borrow money and provide lower interest rates.

Trade finance, where blockchain can create more transparency, security and trust among trade parties globally. By streamlining complex and paper-heavy trade finance processes with blockchain, transactions can be completed faster and more efficiently. Documentation can be stored on the blockchain along with transaction details, thus the need to exchange paper.

At the same time, the industry has found innovative new uses for blockchain technology. One notable blockchain, Ethereum, now provides a peer-to-peer blockchain infrastructure that can support a broad range of financial activity. For example, the Ethereum infrastructure makes it possible to write code representing financial instruments such as bonds into the blockchain as smart contracts.

The Ripple system, on the other hand, resembles more of a consensus-based digital ledger than a true blockchain solution, making it a purpose-built solution rather than an open platform for development. Ripple aims to streamline international financial transactions and make currency conversion and international money transfers faster, easier and less expensive. Many major banks have adopted this ledger, including Bank of America, PNC Bank, Santander Bank, and Standard Chartered Bank.

Digital assets

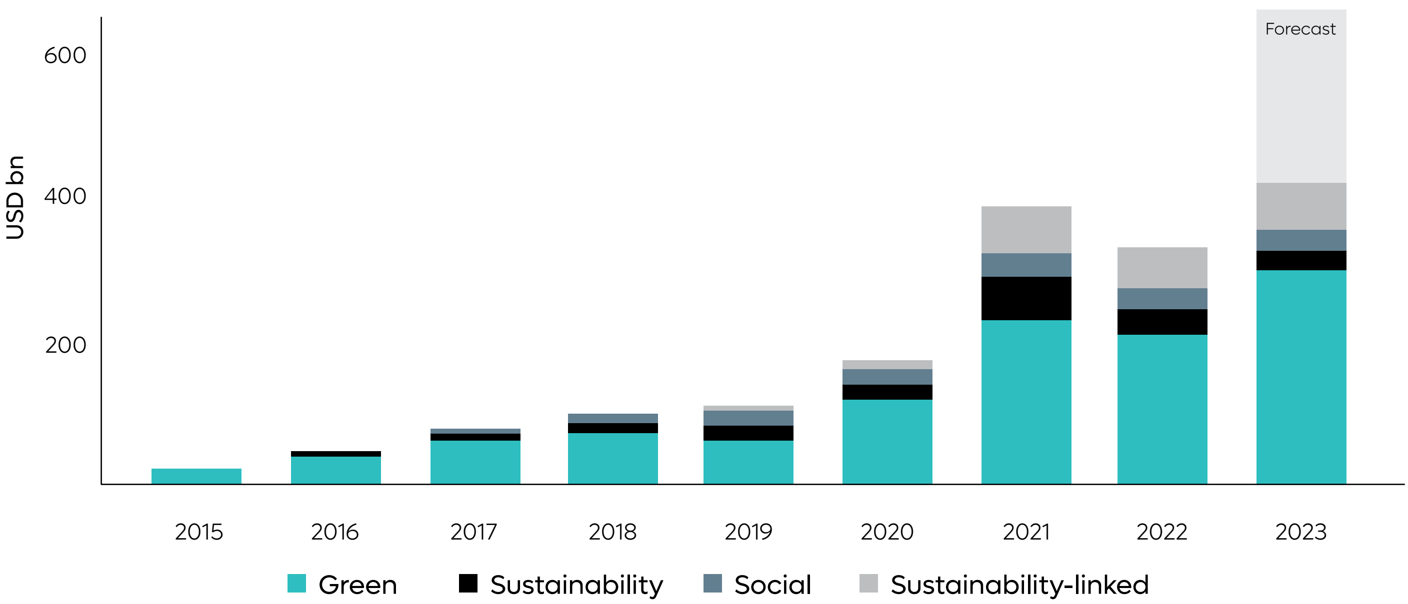
FinTech has also expanded to encompass digital assets such as crypto assets, crypto tokens, central bank digital currencies (CBDCs), and non-fungible tokens (NFTs). A digital asset can be defined as anything that is created only in digital form and has value via its tokenisation on the blockchain distributed public ledger. Such assets entered the mainstream following the introduction of cryptocurrencies and blockchain in the late 2000s. Given increased interest in digital assets and the potential for growth, this area of FinTech can transform the ways in which financial markets operate and how investors interact with the traditional financial services system. However, digital assets for now present some risk around theft and security breaches.

ESG finance

Sustainable finance is an innovation in itself, incorporating environmental, social and governance (ESG) considerations into financial services, and has so far largely been built on conventional asset classes – equity and bonds. ESG-labelled assets are becoming increasingly important in supporting the 'green transformation' of the economy, and the global volume of such assets is estimated to have reached USD 41trn by the end of 2022, according to Bloomberg Intelligence. Recent growth has been largely driven by the rise in the green and sustainability bond issuance in the wake of the pandemic.

Green and sustainability bonds have been the fastest-growing type of ESG investment, with total annual issuance surpassing the USD 1trn mark in 2021. Global sales of corporate bonds with ESG targets are expected to exceed USD 460bn in 2023, rising from USD 362bn in 2022, according to projections by Barclays. This 30 per cent growth will be driven by strong demand and a long list of green projects that need funding as companies put decarbonisation plans into action. Corporates will be able to secure cheaper financing through green bonds than through conventional bonds, due to their increasing appeal to investors.

Corporate ESG bond sales 2015-2023(f)



Source: Reuters

One innovation in ESG bonds is the use of hybrid structures such as Nordea Bank's sustainability-linked loan bond, which combines a use-of-proceeds approach on the framework level with a sustainability-linked one on the asset level. Under this structure, investors' money will be allocated to assets that meet the definitions of the framework. The assets will not be assessed by the eventual use of proceeds, but by the overall commitments of the borrowing entity.

There will also be demand for other sustainable investments through equity capital and investment funds, as well as sustainable project financing options, given the enormous financing needs emerging as corporates scramble to secure funding for their transition plans.

Several innovative sustainable financial products have also been launched within the banking sector such as ESG deposits, green repos, green auto financing, green and energy-efficient mortgages, alternative energy venture capital, and green credit cards. For now, these remain niche products but carry the potential to move into the mainstream in the coming decade.

Opportunities and outlook for innovation in financial services

Four key trends will be driving innovation in banking in the coming five years: open finance as an extension of open banking capabilities; DeFi supporting financial institutions and treasuries; digital assets emerging as a viable asset class; and the incorporation of ESG considerations into banking operations. Each of these trends presents growth opportunities for banks, and combined with a proactive approach to transformation, will lead to greater revenues, reduced operating costs, and data-driven insights that will better protect their firms.

Open finance will be the "next step" for open banking

Open banking is still in its infancy and will continue to gain traction in developing markets. According to a recent report by Polaris Market Research, open banking reached a valuation of USD 16.1bn in 2021 and is projected to grow by a CAGR of 26.8 per cent to USD 128bn by 2030. This exponential growth will be driven mainly by rising demand from the increasing use of online payment platforms. In addition, increased investment in digital banking and more widespread awareness of the use cases for open banking will see growth opportunities in developing markets, mainly in South America and the Asia Pacific.

At the same time, open finance will be the next step in the evolution of open banking, expanding the scope of the open banking system to include 'premium' or 'value-added services' that allow for a greater depth of secure data sharing. While open banking only applies to payments, open finance will cover most financial services, including savings, investments, mortgages and insurance.

Open finance could offer a more efficient process to apply for credit facilities, as it allows individuals and corporates to instantly share their financial data with lenders, who in turn could gain immediate access to historical transaction data to more quickly conduct eligibility checks. The credit assessment would be automated, ensuring there is less human error, and ultimately improving overall lending efficiency.

The journey from traditional banking to open finance

Closed banking / traditional banking	Offers a front-to-back business model, where the financial institution originates and distributes the product
Open banking	Requires financial institutions to provide payment account information on customer request to third-party providers (TPPs), who can then use and act on this information
Open finance	Will likely require financial institutions to provide access to all consumer financial data on customer request to third-party providers, who can then use and act on this.
Open economy	The digital connectivity that is an extension of open finance, which will integrate all consumer data on their request, provide this information to one or many third-party providers, who will then use or act on this information.

Source: Nordea Open Banking (Nordea Bank)

As with open banking, Europe and the UK will likely be early adopters and growth markets for open finance. The European Commission has already issued a legislative proposal for a new open finance framework this year, and the UK's Financial Conduct Authority has published a call for input on the development of the technology.

The UAE has an overarching vision to become a global benchmark in open finance, which has the potential to unlock the next wave of growth for the financial services industry, but also to enhance consumer protection, financial inclusion, social benefits, and economic opportunities.

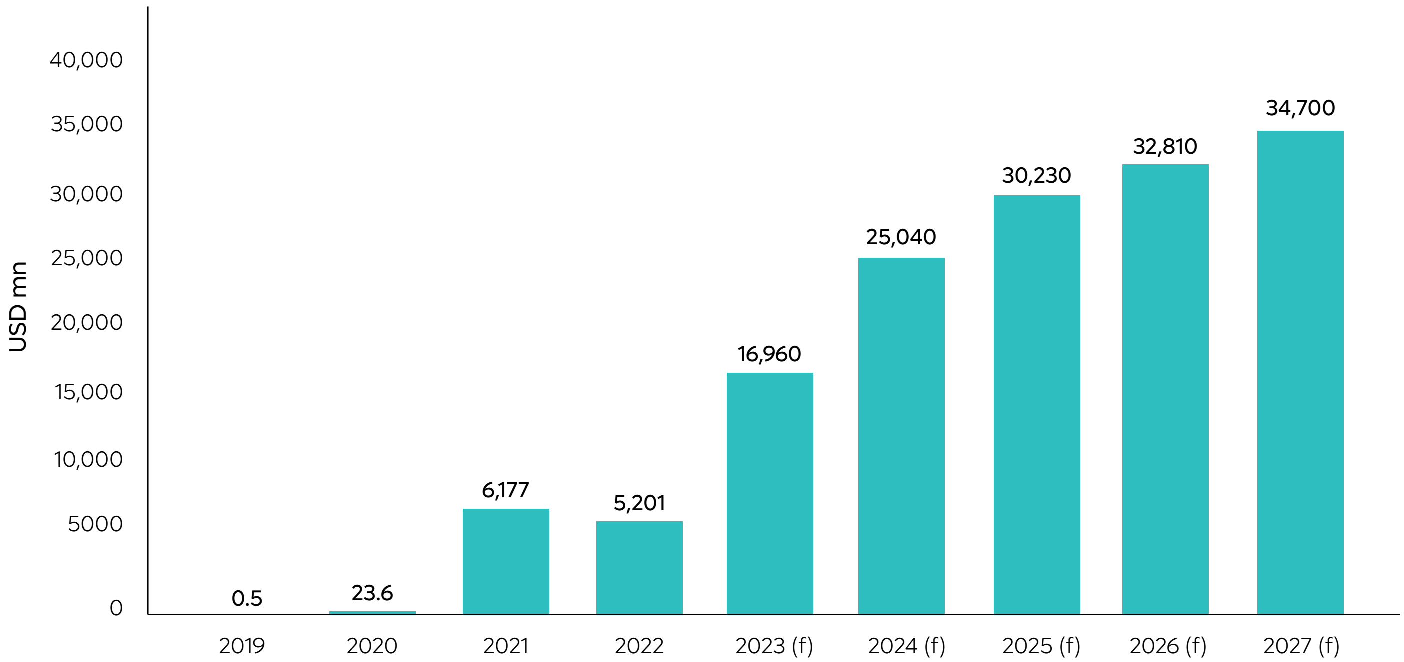
DIFC launched the region's first Open Finance Lab in 2022 in partnership with Tarabut Gateway, the region's first and largest regulated open banking and finance platform. This initiative served as a test case to demonstrate the positive impact of open finance on businesses, customers, and the economy. The empirical evidence and industry feedback is helping inform policymaking and the infrastructure to provide a framework that can move the UAE towards an open finance economy.

The lab also ran educational sessions to promote a greater understanding of how open finance data will create opportunities through the application of emerging technologies, resulting in new data-driven innovations and business models that will enhance the future of the financial system. The evolution of data-driven business models that make finance more inclusive, accessible, and competitive can generate significant new opportunities and open the door for a wave of financial innovation both regionally and globally.

Turning the DeFi threat into an opportunity

Institutional interest in DeFi will continue to increase as the number of participants and amount of capital locked into these protocols continues to rise. Revenue in the DeFi market is projected to reach USD 17bn in 2023, and then to grow by 19.6 per cent CAGR to USD 34bn by 2027. This growth will be driven by digital native firms, venture capitalists and individuals.

Global DeFi revenue 2019 – 2027 (f)



Source : Statista Market Insights. Updated Apr 2023.

While DeFi is perceived as a disintermediation threat to incumbent financial institutions, it is still in the early stages of innovation and has a long way to go before it can replace existing financial intermediaries. This presents banks with opportunities to leverage DeFi capabilities to enhance their offerings and gain operational efficiencies.

DeFi could be incorporated into the digitalisation of traditional banking functions such as lending, borrowing, and savings, which would significantly reduce operating expenses and enhance operational efficiency. Banks for example, could use smart contracts to lend funds, based on criteria written into the code, or facilitate deposits and make interest payments without human intervention.

DeFi will enable streamlined treasury operations

So far, major international banks have used blockchain to transform their transaction banking services, making processes more efficient and replacing traditional financial instruments with standardised digital assets. However, the approval and execution processes of transactions still follow a traditional banking framework, which makes them slow and cumbersome.

A bank would also have to complete KYC and AML checks for every source of capital and convince its counterparts to onboard to the same transaction banking programmes. They also would not be able to present evidence of performance on their debt or payables outside of financial statements.

The use of DeFi platforms has the potential to become a disruptive force in transaction banking by providing an alternative system rather than a plug-in to existing banking frameworks. The decentralised nature of these platforms means transaction onboarding and market-based risk assessments would be much easier to scale across a company's wider system because access to relevant information is not dependent on centralised processing or a prior relationship.

Still, the development of two crucial elements is necessary to enable wider adoption of DeFi in banking: a one-to-one exchange with fiat currency; and interoperability between different blockchains allowing counterparties to freely interact with one another. The former is necessary for cryptocurrency to offer a stable store of value that can be used as currency and to have an easily accessible interface with the traditional financial system. Interoperability is crucial for transactions to occur at scale in the highly fragmented blockchain space. As more token networks emerge, opportunities for interoperability are growing through CBDCs, stablecoin and digital assets.

Reconsidering the viability of digital assets

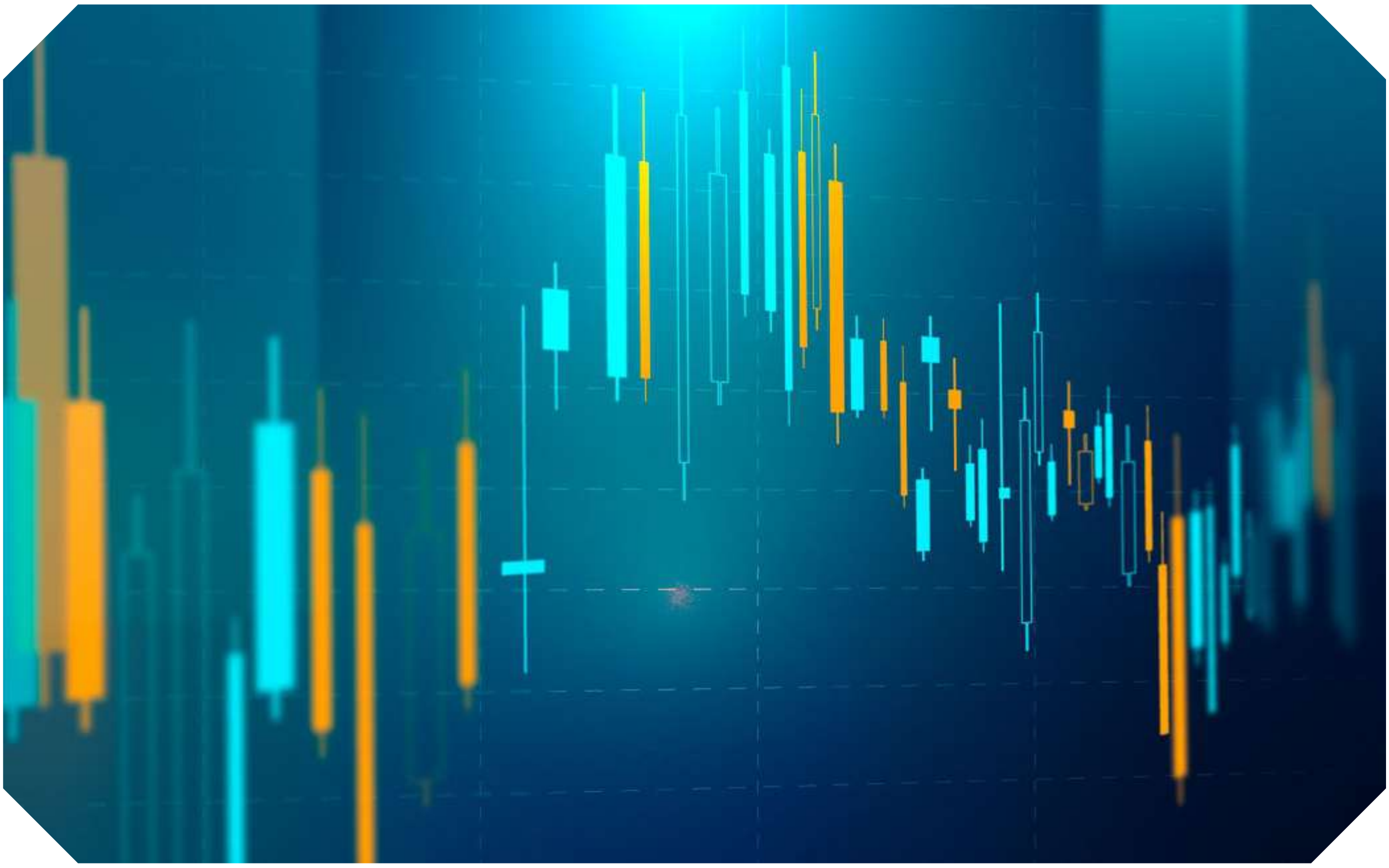
Many incumbent financial institutions have opted to avoid including digital assets in their operations and portfolios because of the risk and uncertainty associated with them. However, this is likely to change as regulators provide more clarity and guidelines on the use of digital assets. Moreover, if a bank has robust capabilities in investor protection, risk disclosures and liquidity management, it should be able to easily accommodate the additional regulatory and reporting requirements and retain the trust of another stakeholder.

Supported by risk management and regulatory expertise, banks will be able to develop a range of products and services built around digital assets, such as safe custody, spot ETFs for cryptocurrencies, and a robust derivatives market that enables liquidity and reduces volatility. Banks can also offer decentralised liquidity pools, which enable better price formation, tokenisation and securitisation of real-world assets (e.g., real estate and funds).

In May 2023, Standard Chartered signed a MoU with DIFC to collaborate on digital assets, including plans to launch digital asset custody services for institutional clients around the world. The new services will be powered by Standard Chartered subsidiary Zodia Custody, which has best-in-class operational and technical capabilities suited to the needs of institutional clients.

The bank has been a market leader in the securities services industry and is considered an early mover in developing digital asset custody services. Standard Chartered will collaborate with both DIFC and DIFC Innovation Hub to promote a thriving digital assets ecosystem that benefits Dubai and the wider UAE economy.

DIFC takes a well-balanced approach to digital asset adoption as it views these assets as an important part of the future of financial services. It is investing in the infrastructure and talent to support digital asset adoption, positioning it as a leader in the space and making it an ideal first market for the digital asset custody proposition.



Net Zero agendas will accelerate ESG adoption and drive growth in transition financing

ESG is becoming an increasingly important aspect of financial services, helping to manage risks, enhance reputation, meet regulatory requirements, drive innovation and increase access to capital.

Regulators around the world are increasingly focusing on ESG issues and requiring banks to integrate these considerations into their business practices. The European Union has introduced rules such as the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation, which require banks to disclose ESG-related information and align their investments with environmental objectives. Banks that fail to comply could face fines or other penalties, which could impact their financial performance and reputation, and limit access to capital.

ESG risks are significant and complex, ranging from physical risks such as climate change-related natural disasters to social issues such as human rights abuses. By integrating ESG considerations into their risk management frameworks, banks can better anticipate and manage these risks, which in turn can have a positive impact on their financial performance. For example, banks that fail to properly assess and manage climate-related risks could face stranded assets or lawsuits, which could impact their profitability. Regulatory frameworks in Europe have taken note of this and the European Banking Authority now requires banks to disclose multiple data-points regarding ESG risks in their risk reports.

ESG data could also be incorporated into existing processes, such as credit approvals and decision making. And banks will need to adjust their data architecture, define a data collection strategy, and reorganise their data governance model to successfully manage and report their ESG data.

Transition finance

ESG finance has become an urgent priority across financial services, with more than 130 countries having committed to net zero carbon emissions by 2050. These commitments will soon be followed by regulatory mandates enforcing specific national carbon-related goals.

Achieving Net Zero is estimated to require around USD 50tn in incremental investments by 2050, as governments and corporates marshal resources and reshape strategies in preparation. In emerging market economies, much more capital must be invested to decarbonise and shift to cleaner energy use.

ESG finance will be instrumental in financing these investments and providing insurance against the risks associated with ambitious transition plans. To support companies and investors in their efforts to scale up transition, bespoke solutions for short-, medium-, and long-term transition financing are crucial.

Banks that prioritise ESG are more likely to drive innovation and develop new products and services that address environmental and social challenges. By supporting the transition to a low-carbon economy, banks can contribute to a more sustainable and equitable future. For example, a bank that issues green bonds or sustainable investment products can help to finance renewable energy projects or other environmentally beneficial initiatives, potentially at better rates.

A second wave of new and innovative sustainable finance products is on the horizon, as themes such as ‘transition’ and ‘biodiversity’ gain traction around COP28. Transition-labelled financial products are not new to the market, but the renewed focus on this theme is expected to drive innovation in this space. Biodiversity-related products, such as nature bonds, however, are still under development.

Transition, or sustainability-linked, loans and bonds help corporates to transition from carbon-intensive to climate-neutral operations, underpinned by sustainable corporate strategies. These bonds can play an especially important role in facilitating the transition of corporates in fields that would not normally qualify for green bonds, such as large carbon-emitting industries including oil and gas, iron and steel, chemicals, aviation, or shipping.

This type of financing is relatively new and requires innovative performance-based financial instruments that allow companies to raise capital for general purposes. The financial and structural characteristics (such as the interest rate of a loan or coupon of a bond) vary depending on whether the borrower or issuer achieved sustainability performance targets for a predefined set of key performance indicators (KPIs), which can cover a range of environmental and/or social targets.

Fostering a conducive ecosystem for innovation in Dubai

Innovation forms an integral part of the Government of Dubai's strategic objectives, in accordance with the innovation-driven vision for growth of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

Dubai has been able to position itself as a strategic hub for FinTech and innovation companies in the region, offering access to high-growth emerging markets in MENA, Western Europe, Asia and Africa (MEASA). The emirate is also home to an entrepreneurial ecosystem that attracts international venture capitalists aiming to tap into opportunities available across the region.

Region's leading innovation ecosystem

DIFC has driven the development and growth of Dubai's reputation as a leading hub for innovation and technology. The Centre hosts the largest and most diverse community of growth-stage start-ups and scale-ups and offers ready access to the capital, talent and other resources that such enterprises need to succeed. The Centre offers cost-effective licensing solutions, fit-for-purpose regulation, innovative accelerator programmes, and access to funding for growth-stage start-ups.

Inaugurated in 2021, DIFC Innovation Hub, a major part of the Dubai Future District, is the MEASA region's first and leading innovation ecosystem, with 686 innovation and tech firms, ranging from start-ups to unicorns.

Comprehensive regulatory landscape enabling innovation

The DFSA has introduced a regulatory roadmap as part of its efforts to build an innovation-enabled ecosystem that can catalyse growth in the UAE FinTech industry. The roadmap targets several FinTech areas such as crowdfunding and investment tokens. The regulator introduced its crowdfunding framework in 2017, setting out specific requirements to ensure clear governance and that customers are appropriately protected. A comprehensive framework for Money Services businesses followed in 2020, covering services that can be provided individually or in combination, such as currency exchanges, payment services, or issuance of stored value cards.

Digital assets, which have been notoriously prone to their high volatility and associated risks, have also come under regulatory oversight at DIFC. For the first phase of its Digital Assets Regime, DFSA introduced a regulatory framework for investment tokens in October 2021, covering areas such as dealing, arranging and trading in, and custody of crypto tokens.

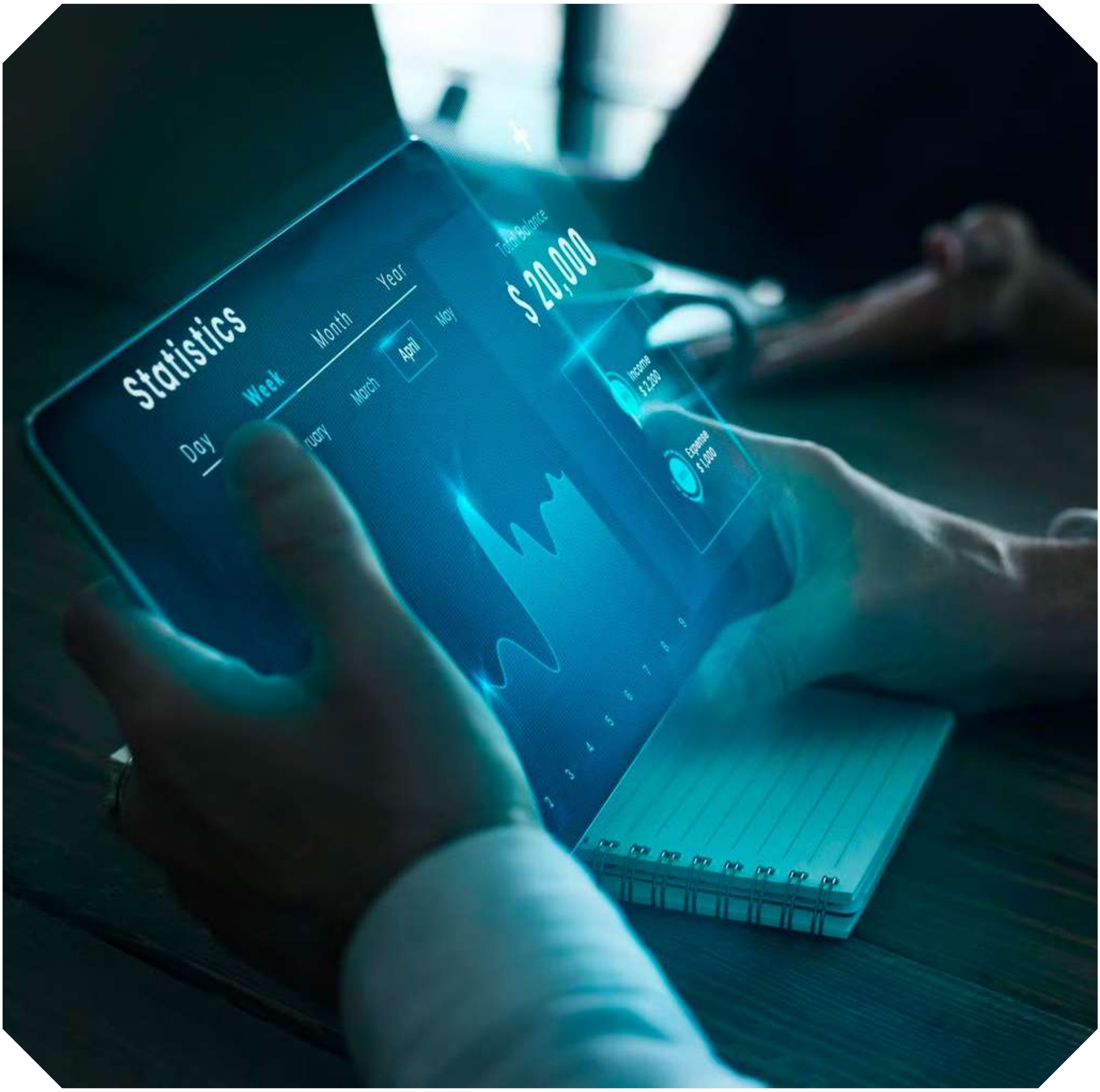
The second phase followed in November 2022 with DFSA's Crypto Token regime, which addresses several risks such as AML/CFT, safe custody, and market integrity. The regime also extended the scope of several services to cover DFSA-recognised crypto tokens, such as dealing in investments as principal, providing custody, and managing assets.

It will be a natural next step to introduce practical laws and definitions to help companies understand how best to manage digital assets. With initiatives such as these, DIFC and the DFSA are becoming recognised as a leading authority on digital assets.

Cross-border cooperation on regulation for FinTech innovation

The DFSA has joined the Global Financial Innovation Network (GFIN) as part of its aim to accelerate the development of innovative financial products and services. GFIN was formally launched in 2019 as a global sandbox by a group of 70 international organisations including financial regulators. The DFSA is also part of the Coordination Group, which sets the network's overall direction and strategy.

The GFIN allows members to collaborate and share knowledge in order to advance a suitable regulatory response to the emerging technologies used by financial services. It also facilitates cross-border trials of innovative ideas in the financial sector. The cross-border testing framework developed by the GFIN offers a single-entry application form process and a Regulatory Compendium that clarifies the interests of involved regulators and the types of innovation services available.



DFSA runs the Innovation Testing Licence (ITL) Programme, a licensed sandbox that allows FinTechs to directly test their products in a live environment with a degree of regulatory lenience, but within a defined space and duration. Safeguards are in place to contain the consequences of any failures while maintaining the safety of the financial system. One benefit of sandboxes is a bilateral sharing of information that helps in shaping a suitable regulatory framework for the future.

The ITL programme sits at the forefront of DFSA's innovation agenda and serves as a platform to test new models that have the potential to emerge as successful ventures contributing to the financial services sector within DIFC and Dubai. Since its launch in 2017, the programme has hosted 67 firms.

Once a start-up exits the sandbox, the DIFC Innovation License allows entrepreneurs to benefit from a world-class legal and regulatory framework and connection to a wide community of financial institutions and service providers. Advantages include a cost-effective licence available through a fast and simple registration process.

One major concern of innovators is intellectual property (IP). To address this, DIFC offers a world-class Intellectual Property Law. This provides protection on IP rights such as patents, trademarks, copyrights, trade secrets, and industrial designs. It and is in line with international treaties related to IP and UAE Federal Laws.

Incubator and accelerator programmes drive innovation

A key element of the DIFC Innovation Hub is its accelerator ecosystem that provides start-ups with services such as licensing and co-working spaces, along with the appropriate regulatory regime and network community that can help bring products and solutions to established financial service providers such as banks, investment firms, and insurance companies.

Programmes already operating in the DIFC Innovation Hub include the FinTech Accelerator Programme and the recently introduced Metaverse Accelerator Programme. These programmes have been devised in collaboration with leading financial institutions to deliver industry-driven accelerator programmes able to address the financial industry's needs. They allow FinTechs to gain access to funding and timely access to the market, thereby allowing them to fine-tune their products.

The DIFC Innovation Hub is also driving positive change through programmes for under-represented groups. AccelerateHer – a female-focused career mentorship accelerator – equip young aspiring executives with the necessary tools and experience to broaden their knowledge and reach in the industry and to play a more active role in shaping the future of the financial landscape. The shortlisted women are exposed to a diverse range of experiences, enabling them to build their network, skills and knowledge by gaining access to the different activities at the DIFC Innovation Hub such as mentorship, workshops and networking opportunities.

DIFC has been chosen by more than 700 FinTech, RegTech, InsurTech and other innovative companies at different stages of development, with more than 60 per cent of GCC FinTech firms being based in the centre.

Venture studios backing development of new ideas

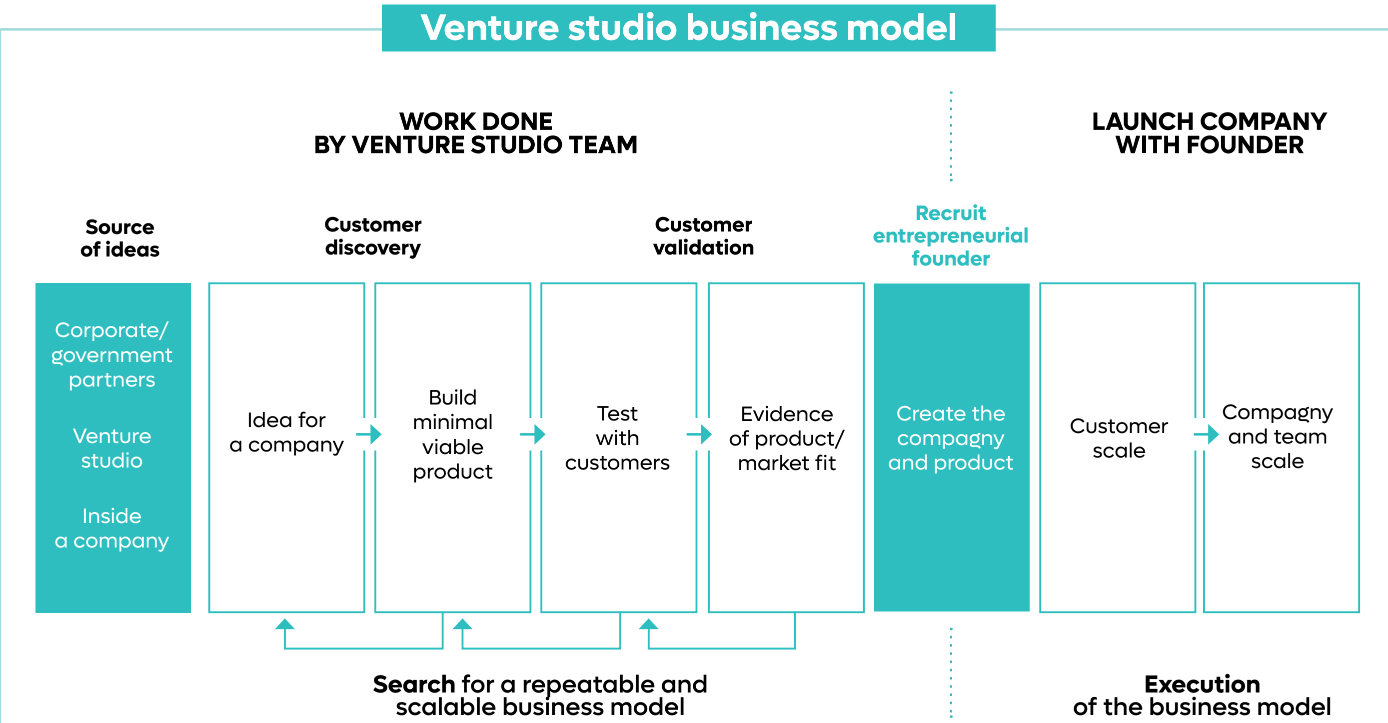
While accelerators and incubators play an important role in supporting start-ups in the innovation ecosystem, they may not provide the right solution for every business challenge.

One alternative is the venture studio, which has been gaining traction in the start-up landscape over the past decade and has established a strong track record supporting their success. Over the last seven years, the global venture studio market grown by a remarkable 625 per cent. There are more than 730 active venture studios around the world, of which more than 50 per cent were launched in the past five years.

The rate of growth among corporate venture studios is even higher. New ventures that launch from studios experience 30 per cent higher company success rates and about 5 per cent of them make it to unicorn status, according to research published by Denver-based Global Startup Studio Network (GSSN).

A venture studio is a company that creates start-ups, from the ideation stage, i.e., the proposal of a new idea and business model for a start-up, until the business shows traction and is viable for external investment. Venture studios typically provide the core team that will run the start-up, in addition to strategic direction and capital for it to reach product-market fit. Unlike VC funds, venture studios are closely involved in the start-up's day-to-day operations and strategic decisions. When the start-up is ready to raise capital from external investors, the venture studio's employees have the option to continue in the start-up or move on to create a new venture.

They develop ideas from the problem-identification stage until start-ups are up and running. The idea is handled by a core team consisting of experienced entrepreneurs, innovators and founders, which then hands over to a new team to run the start-up and develop it further.



Source: Harvard Business Review

DIFC adopted the venture studio model, following an agreement it signed with GSSN in 2022. As part of the agreement, DIFC will organise events, both in-person and virtual, for venture studios.

DIFC Launchpad

In March 2023, DIFC launched the 'DIFC Launchpad' - the world's first venture studio platform exclusively focused on digital asset technologies and ubiquitous finance (UbiFi) - a new concept describing disruptive technologies converging with other technologies to create a new financial system. The DIFC Launchpad was designed in collaboration with Dubai-based venture studio Enhance Ventures, and Silicon Foundry, a Silicon Valley-based innovation advisory group.

With DIFC Launchpad, Dubai is set to become the leading hub for venture building in MEASA and will join cities like San Francisco, New York, Berlin and Paris. The initiative is a key part of DIFC's efforts to achieve its 2030 strategy by attracting the brightest minds and companies to Dubai and providing them with the necessary support to develop, test and launch new start-ups, scale-ups and corporate ventures at an unprecedented scale, time to market and quality.

DIFC's Launchpad also helps larger, established companies become more agile and innovative. Traditional financial services companies are often constrained by decades of organisational culture, processes, legacy systems and compliance requirements. By working within a venture studio framework, traditional financial services companies can become more agile and innovative.

The DIFC Launchpad is backed by multinational experts, specialised in new venture creation, corporate innovation and emerging technologies. These will work closely with DIFC's investor bases and corporate partners including Mashreq, Mastercard and Commercial Bank of Dubai to create and launch the next generation of global FinTech start-ups in Dubai. To scale venture building activities across a range of verticals, the DIFC Launchpad has attracted some of the world's leading venture studios, including R/GA Ventures, Antler, BIM Ventures and Futurelabs.

The Launchpad expects to support the launch of more than 200 new ventures in Dubai, create over 8,000 jobs and attract more than USD 545mn (AED 2bn) in venture capital.

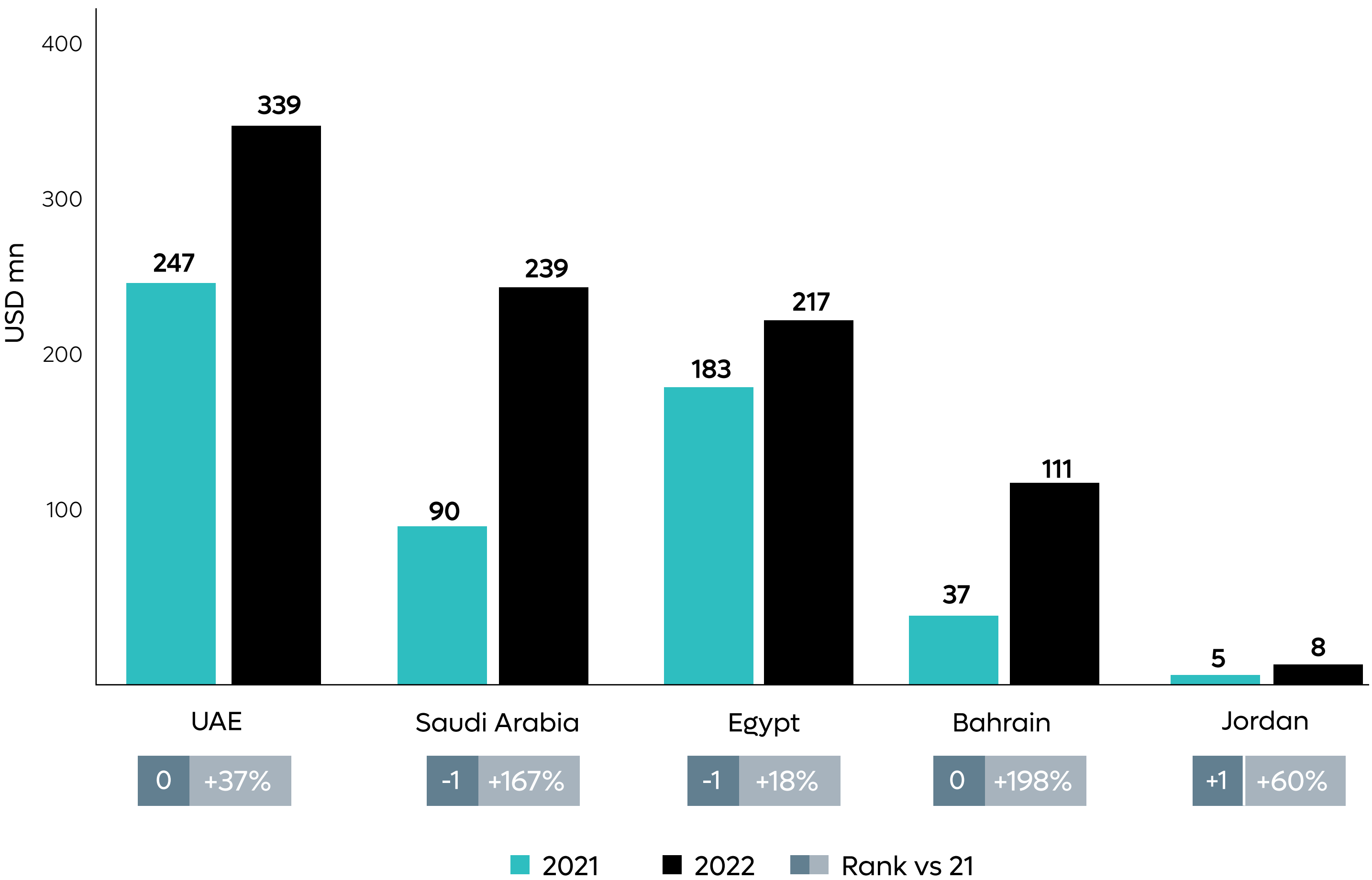
A first-of-its-kind Research Living Lab will also be part of DIFC Launchpad, driving thought leadership and hands-on research aimed at opening new opportunities and producing data and insights on shaping existing and future business models, laws, and regulations.

DIFC enacted the Venture Studio Regulations – the world's first legislative framework for venture building – in April 2023. Key features include establishing legal certainty around the venture building model, and clarifying how venture studios, entrepreneurs, and start-ups interact with each other and the wider market. The regulations also facilitate ease of doing business within the venture studio model by implementing specific operational measures to enable the incubation of new business ideas, sponsorship of entrepreneurs, and reduced costs for scaling new businesses.

A huge range of venture capital and start-up funding opportunities

The FinTech sector in the MENA region raised USD 925mn in funding in 2022 with the UAE in pole position as it accounted for 37 per cent of total funding in the region. In the same year DIFC-based FinTech and innovation companies raised more than USD 615mn of funding, with the vast majority of that raised from venture capital funds, corporates, and private investors.

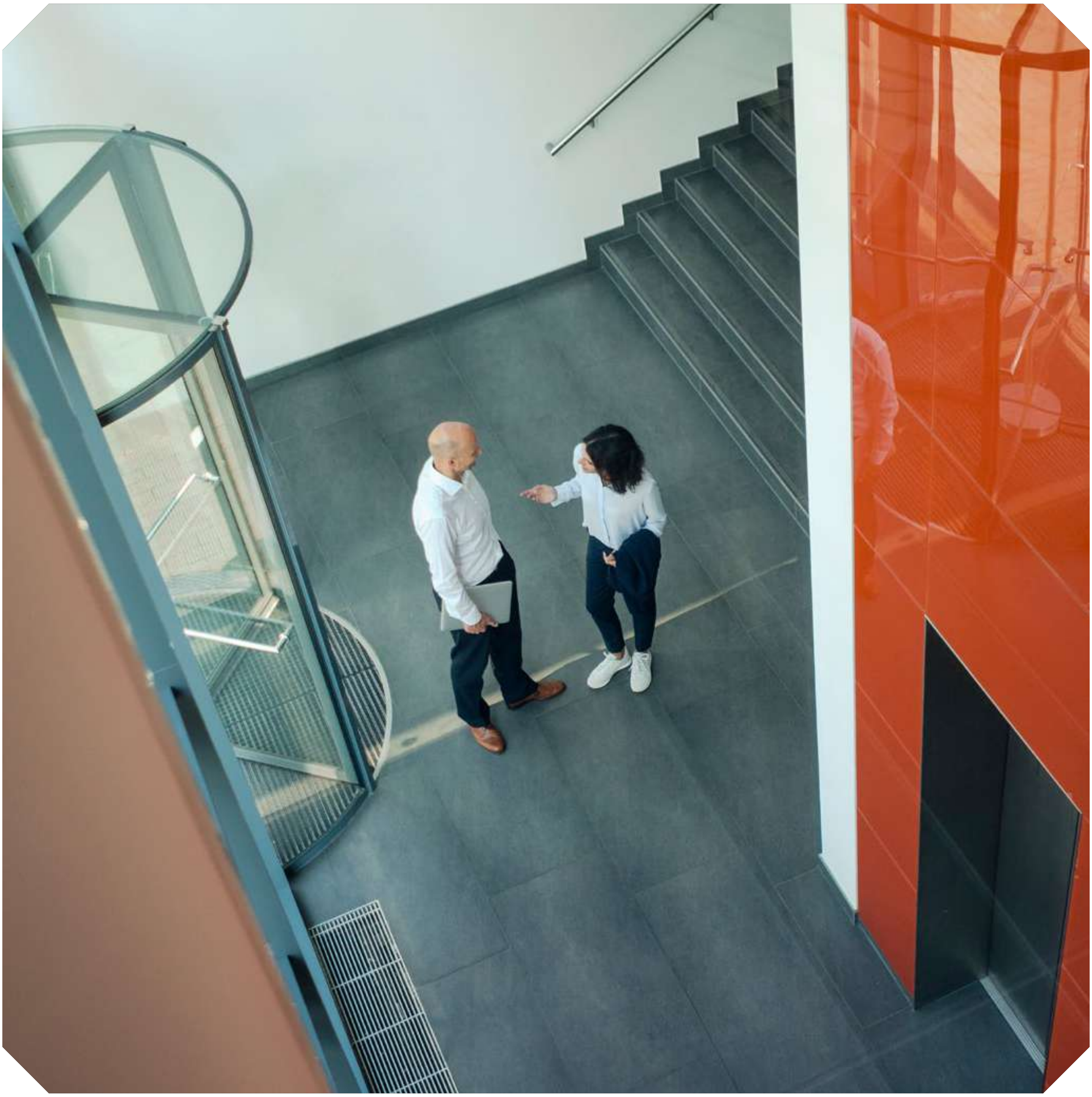
FinTech funding in MENA - top 5 countries



Source: Magnitt

DIFC Innovation Hub start-ups can connect with any of a large number of potential commercial partners and VC funds. Alternatively, they may seek funding from Dubai Future District Fund (DFDF). Founded by DIFC and Dubai Future Foundation, DFDF is supporting the next wave of innovative companies and investors by investing at all stages (seed to growth) and across all key sectors, and is focused on the relevant geographies, including the MENA region. The fund invests as a venture capital fund of funds or directly in start-ups across two thematic pillars: Future of Finance and Future Economies.

Meanwhile, Dubai Angel Investors (DAI) invest in Seed and Series A rounds of early-stage technology companies with high growth potential, with a portfolio of first-round investments ranging between USD 100,000 and USD 2mn. The investor network consists of well-known investors, tech entrepreneurs and other participants. DAI also allows start-ups in its portfolio to benefit from an extensive network of contacts who also provide mentoring.



Future economy-focused capacity building and talent development

The DIFC Academy curates a full range of impactful, regionally relevant executive education programmes that are developed in partnership with internationally recognised business schools, professional development providers, and other training academies. Programmes include content relating to FinTech and innovation in financial services.

Leveraging accelerators to boost networking and mentorship opportunities

The DIFC Innovation Hub offers its participants access to its extensive network of partners from various areas of the financial services industry, who can share their expertise and knowledge and provide access to cutting-edge technology. Participants can also benefit from workshops and mentoring through participating organisations.

Moreover, the FinTech accelerator has forged ties with other FinTech players around the world to enable start-ups to deepen their understanding of the sector and share ideas. DIFC also hosts the Dubai FinTech Summit, which enables participants to scale their networks and expand their investor base.

Executive insight

Christopher Parsons
Senior Executive Officer, DIFC, Standard Chartered

Standard Chartered is one of DIFC's founding clients. Having established a presence in 2005, they now employ a substantial number of people and manage their Africa and Middle East region from the Centre.

Tell us about the different areas in which Standard Chartered is driving innovation in wholesale banking.
Over the past few years, we have dedicated our efforts towards fortifying our foundation and showcasing our ability to be a purposeful bank that stands by its commitment to be "Here for good". On-going innovation is central to this.

We are committed to promoting economic and social development in the markets we serve, sustainably and equitably. By leveraging our expertise, global network, and skills across our 57 markets, we identify and develop opportunities for innovation in digital banking, ecosystem banking, and blended finance. This enables us to actively support our clients to achieve sustainable growth while delivering on our commitment to reduce emissions from both our operations and financing activities to Net Zero by 2050. This commitment extends to supporting the countries we call home, such as the UAE, in achieving their Net Zero targets.

Standard Chartered is recognised as a global leader in innovative Islamic finance solutions. Our global Islamic banking business, Saadiq, which is based in DIFC, is a leader in sukuk issuance and has actively participated in the development of a regulatory framework for the Islamic finance industry.

We have focused our investment in enhancing our corporate banking capabilities and providing seamless digital experiences to clients. This includes streamlining processes, adopting automation and artificial intelligence (AI) solutions, and developing digital platforms for trade finance, cash management, and other corporate banking services. The Group recently announced its intention to offer digital asset custody, with DIFC being the first location, subject to regulatory approval.

SC Ventures is a business unit that provides a platform and catalyst for the bank to promote innovation, invest in disruptive financial technology, and explore alternative business models to ensure the bank remains resilient in an era of disruption.

Standard Chartered has recently established several partnerships collaborating on digital assets. How will digital assets shape the future of wholesale banking and financial services?
Our bank recognises our clients' increasing demand to access digital assets, including direct investments in cryptocurrencies and tokenised assets, and participation in the digital asset Web3 economy. Regulators are also exploring the use of digital assets such as central bank digital currencies (CBDCs) and tokenised

securities as a defensive measure against risks associated with the unregulated aspects of the crypto market.

The potential impact of digital assets on banking and financial services is vast. The tokenisation of assets such as real estate, commodities and securities allows for the fractional ownership of these assets, thereby promoting financial inclusion and liquidity. It also reduces the costs of trading and increases market participation.

Institutional investors stand to benefit from digital assets as they offer new investment opportunities. Cryptocurrencies such as Bitcoin, for example, are increasingly being recognised by leading fund managers as a must-have diversification option.

The utilisation of smart blockchain contracts presents an opportunity to automate transactions, reducing reliance on traditional banking infrastructure and expanding access to underserved regions. Digital wallets and decentralised platforms can be integrated into institutional banking services, which brings together the benefits of lower-cost access with institutional-grade oversight. Digital assets also have the potential to reduce the costs of cross-border transactions by reducing the friction associated with cross-border compliance using innovative new encryption technologies.

We acknowledge the importance of collaboration with FinTech start-ups such as our partnership with OSL to launch Zodia Markets. This was reflected in our recent announcement on launching the first digital asset custody proposition out of DIFC, which enjoys strong synergies with the Bank – a key driver behind several joint initiatives such as the joint Treasury Leadership Forum, the DIFC Dubai FinTech Summit and the Women in Tech initiative, which supports women-led start-ups.

What are the benefits that Standard Chartered hopes to gain from launching its planned digital asset custody services starting in DIFC?

As a leader in the securities services industry, we recognise the importance of catering to institutional clients worldwide. By developing custody services for digital assets, including the leading cryptocurrencies, we position ourselves as an early mover in this evolving market.

We firmly believe that the future of financial services will heavily rely on digital assets, driven by advancements in blockchain and other technologies underpinning crypto and Web3. We have also developed strong governance and controls, differentiating ourselves from others in the market.

Furthermore, while we recognise that tokenised assets will be transformative for financial institutions, it will take several years for the various market participants to develop the operational frameworks and capabilities required to operate within a digital assets-enabled financial market infrastructure. Meanwhile, we recognise the substantial demand for cryptocurrencies. Our strategy thus focuses on building the necessary infrastructure to address today’s demand as a means of fostering the required capabilities to support digital assets more broadly.

This approach not only enables us to cater to today's crypto market but also accelerates our ability to participate in a future tokenised assets market. It is a key driver of our ongoing transformation journey aligned with our brand promise “Here for good”, as we continue to connect clients to the digital global economy while engaging communities and ecosystems in line with our sustainability goals.

Executive insight

Jonathan Bradley
VP, Partner, R/GA Ventures

R/GA Ventures is a founding partner of the DIFC Launchpad venture-building platform.

Tell us about R/GA Ventures and how it supports innovation in financial services and other industries?

R/GA Ventures is the venture arm of R/GA, a global business strategy, product development, marketing, branding, and communications company. Leveraging this broad range of expertise and access to global markets, R/GA Ventures helps leading organisations to identify and capitalise on emerging solutions from the startup ecosystem. Through our venture studio initiatives, we take a unique approach to fostering growth and success for our portfolio start-ups. By combining traditional venture capital with relationship capital and R/GA's creative capital, we provide our studio start-ups with a comprehensive suite of resources, expertise, and network opportunities necessary to gain the critical momentum needed for sustained growth. Our deeper level of investment in these companies opens up new avenues for successful partnerships between our clients and the portfolio startups, ultimately leading to improved outcomes and investment returns.

R/GA Ventures is a founding partner of the DIFC Launchpad venture-building platform. What makes Dubai/ DIFC an ideal base to set up venture studios?

Dubai has positioned itself as a leading destination for innovators, offering not only access to commercial opportunities in the Middle East and Africa but also a plethora of deliberately developed resources, initiatives, and innovation centres. The emirate's intentional efforts have resulted in a thriving ecosystem that attracts top talent from around the world and can easily foster ground-breaking ideas.

At the heart of Dubai's innovation landscape is the DIFC Innovation Hub, designed to facilitate collaboration between regional and global industry leaders, venture studios, investors, and entrepreneurs.

R/GA Ventures has a ten-year history of identifying and launching impactful collaboration opportunities and supporting those connections with our differentiated range of creative resources and venture expertise.

We believe the combination of resources and strategic opportunities that can be unlocked via our partnership with the DIFC Innovation Hub makes DIFC the ideal location and environment to launch venture studios in the region.

How will venture studios enhance the innovation ecosystem at DIFC? What type of finance or FinTech startups are you targeting in Dubai?

R/GA Venture’s venture studio model has been developed to help corporations develop tailored solutions to targeted opportunities. Whether it involves building from the ground up or augmenting existing solutions, we are experts in helping leading companies to identify and validate relevant market opportunities. With a focus on assembling optimal teams and partnerships, we enable an efficient and effective process to build, test and launch scalable solutions.

The impact of our approach extends beyond our corporate partners and positively influences the broader innovation ecosystem in several ways. First, it provides increased access to a wider network of leading organisations and potential commercial engagements, fostering collaboration and growth opportunities. Second, it attracts top global talent by offering compelling entrepreneurial opportunities and capability development. Finally, our model provides viable investment options for both regional and global venture capitalists and private equity groups.

By creating more compelling and visible examples of market success and impact, our venture studio model will further showcase the potential that the DIFC ecosystem holds for individuals, communities and organisations. This not only strengthens the innovation ecosystem in Dubai but also generates inspiration and confidence to pursue transformative growth in the region.

DIFC innovation milestones since inception

2004

September

- Dubai Government passes the 'Law of the Dubai International Financial Centre'
- DIFC opens for business
- DFSA established as independent regulator of DIFC
- DFSA issues first licences

2007

January

DIFC issues enhanced Data Protection Law and appoints Commissioner of Data Protection to oversee administration by the DIFC Authority

2009

November

DIFC Centre of Excellence unveils Resource Centre to encourage knowledge and research

2008

October

DIFC Investments announces launch of DIFC Global, a new unit providing a global network of premium business centres and corporate services

November

DIFC issues Special Purpose Company (SPC) regulations

2013

October

DIFC reaches 1,000-company milestone

2014

December

Enactment of Netting Law, providing legal certainty in DIFC on the enforceability of close-out netting in the case of insolvency

2016

October

DIFC establishes Wealth Management Working Group

2017

January

DIFC launches the region's first FinTech accelerator

May

- Enactment of Electronic Transactions Law 2017 in DIFC
- DIFC companies allowed to obtain Dubai Economy Dual licences to operate across Dubai

August

DFSA launches crowdfunding framework

September

DIFC announces launch of DIFC Academy to curate regionally relevant executive education programmes

November

DIFC launches USD 100mn FinTech fund

2019

June

- DIFC introduces regulatory regime for prescribed companies
- DIFC enacts Incorporated Cell Company (ICC) Regulations
- DFM and DIFC launch Dubai Sustainable Finance Working Group

November

DIFC enacts new Intellectual Property Law

2020

January

- DIFC launches seamless digital onboarding platform

February

DFSA introduces a comprehensive Money Services regime

June

DIFC enacts Data Protection Law No. 5 of 2020

August

DIFC launches Innovation License to boost creativity and entrepreneurship

2021

February

DIFC Courts and Dubai Future Foundation (DFF) embark on Courts of the Future initiative, activating Courts of Space.

May

DIFC Innovation Hub officially inaugurated and expansion plan announced

July

DIFC announces enactment of Intellectual Property Regulations

October

DFSA introduces regulatory framework for Investment Tokens

November

- DIFC introduces Supersonic Speed Technology for data transfer and wireless capabilities
- AED 1bn Dubai Future District Fund launched to support seed-to growth-stage start-ups

2022

March

- DIFC launches ground-breaking Artificial Intelligence and Coding License in cooperation with UAE AI Office
- DIFC Laws Amendments Law is enacted, facilitating amendments to Data Protection, Insolvency, Electronic Transactions and other laws in alignment with best practices

April

DIFC launches first Global Venture Studio Launchpad to grow the "Ubiquitous Finance" ecosystem from Dubai

June

DIFC launches region's first Open Finance Lab

October

DIFC launches programme with Global Ethical Finance Initiative aligning with UAE's COP28 agenda

November

- DIFC introduces Supersonic Speed Technology for data transfer and wireless capabilities

December

DIFC Courts launches a new set of industry-first specialised rules for recently formed Digital Economy Court (DEC) Division

DIFC innovation milestones since inception

2023

January

DIFC announces the launch of the DIFC Metaverse Platform, aligned with the Dubai Metaverse Strategy

March

DIFC announces launch of its venture building platform 'DIFC Launchpad'

May

- DIFC holds first edition of the Dubai FinTech Summit
- DIFC enacts new Venture Studio Regulations

June

DIFC announces plans to launch the 'Dubai AI & Web 3.0 Campus'

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