

By email

2 September 2025

To: Senior Executive Officers (SEOs) of FSRA Authorised Firms
CC: Compliance Officers and Finance Officers

Dear SEO,

Amendments to Prudential Requirements for Lower Risk Firms

Following Consultation Paper No 2 of 2025 on the Review of Prudential Framework for Lower Risk Firms, the Financial Services Regulatory Authority ("FSRA") of Abu Dhabi Global Market has issued an announcement implementing changes to the prudential framework applicable to Authorised Persons ("firms") in Categories 3B, 3C and 4 under the FSRA's Prudential – Investment, Insurance Intermediation and Banking Rulebook ("PRU").

This letter is to inform you that these amendments took effect from 19 August 2025 in accordance with the amendments to the PRU Rulebook found at the following locations: here and here, with the exception of the introduction of minimum standards for Professional Indemnity Insurance ("PII") cover which will apply from 1 January 2026.

Firms should familiarise themselves with the updated Rulebook requirements in PRU, but a summary of the key changes and their impact is set out below.

1. Capital requirements for Category 4 firms

With the exception of Category 4 firms with a permission to carry out the Regulated Activity of Operating a Private Financing Platform¹, the Base Capital Requirement ("BCR") for all other Category 4 firms is \$50,000.

Category 4 firms that do not hold Client Assets or Insurance Money are no longer subject to the Expenditure Based Capital Minimum ("EBCM") requirements² and instead subject only to the BCR as outlined above.

Firms that hold Clients Assets or Insurance Money remain subject to both the EBCM requirement and the BCR.

Firms are reminded that the BCR is an absolute minimum capital requirement, not a target, and the FSRA expects firms to hold sufficient capital resources to ensure the proper and efficient running of its business on a sound prudential basis appropriate to the size, nature and complexity of their operations. Firms are reminded of the obligation at all times to notify the FSRA if capital resources

¹ For Category 4 firms with a permission to carry out the Regulated Activity of Operating a Private Financing Platform, the BCR for will remain at \$150,000.

² Note: Category 4 firms with a permission to carry out the Regulated Activities of Operating a Multilateral Trading Facility or an Organised Trading Facility are not affected by the removal of the EBCM requirement.

fall below 120% of the firm's capital requirement, where failure to do so would be a breach of PRU 3.20.2.

All firms must continue to hold an appropriate portion of their balance sheet assets in liquid form. For those firms that are no longer subject to EBCM, the liquid asset requirement is instead an amount that exceeds the BCR.

All firms remain obliged under PRU 3.2.4(b) to ensure that they maintain adequate financial resources, in addition to capital resources, to meet their liabilities as they fall due, including any non-client liabilities.

Regulatory reporting through the Electronic Prudential Reporting System (EPRS)

The amendments will be applicable to regulatory reporting through EPRS from Q3 2025. For the time being, firms should continue to report using the existing templates provided on EPRS and guidance for completing the existing templates is outlined below.

With regards to the EBC Resources Template, for those firms no longer subject to EBCM, a figure of zero should be inputted for EBCM which will allow the capital requirement of the firm to default to the BCR. All firms subject to a BCR of \$50,000 should ensure this figure is stated correctly in the submission.

With regards to the EBC Required Template, for those firms no longer subject to EBCM, a figure of zero should be inputted for Total Annual Expenditure which should reflect a figure of zero for EBCM. All firms subject to a BCR of \$50,000 should ensure this figure is stated correctly in the submission.

New reporting templates will be made available in due course.

2. Base Capital Requirement for Providing Custody for a Fund

For those firms carrying out the Regulated Activity of Providing Custody for a Fund, except where the firm is Providing Custody for a Public Fund, the BCR is reduced to \$250,000.

Regulatory reporting through EPRS

The amendments will be applicable to regulatory reporting through EPRS from Q3 2025. Firms must ensure the correct BCR figure is inputted into the EPRS reporting templates.

3. Internal Risk Assessment Process requirement for Category 3B and 3C firms

The Internal Risk Assessment Process ("IRAP") reporting requirement for Category 3B and 3C firms is removed. However, firms must continue to ensure that they have adequate risk management practices - aligned to the size, nature and complexity of their business.

The FSRA may still use its supervisory powers to require a firm to carry out an IRAP or to provide the FSRA with copies of the firm's internal risk management reports and supporting documents depending on the nature, scale and size of operations.

Regulatory reporting through FSRA Connect

This regulatory reporting requirement will be removed from FSRA Connect for Category 3B and 3C firms, effective immediately.

Where Supervision deems it appropriate to maintain this requirement for specific Category 3B and 3C firms, separate communications will be provided to such firms.

4. Removal of Professional Indemnity Insurance requirement for Branches of Category 3B, 3C and 4 firms

The PII requirement for firms in scope of this amendment is removed, effective from 19 August 2025.

Regulatory reporting through FSRA Connect

This regulatory reporting requirement will be removed from FSRA Connect for those firms in scope of the amendment, in line with the implementation date.

5. Professional Indemnity Insurance minimum standards

For renewals on and after 1st January 2026, minimum standards are prescribed in relation to PII cover, as amended in PRU.

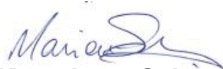
Regulatory reporting through FSRA Connect

The regulatory reporting requirement on FSRA Connect will be amended to require firms to submit to the FSRA a confirmation statement on an annual basis, approved by its Governing Body, which verifies that the PII cover meets the prescribed minimum standards. This will replace the requirement to submit a copy of the firm's PII cover.

Firms must maintain adequate systems and controls to ensure the accuracy, completeness and consistency of data reported via EPRS and FSRA Connect.

In case of any queries, please contact the relevant Supervision team or assigned lead Supervisor for your firm.

Sincerely,



Mary Anne Scicluna
Senior Executive Director – Supervision
Financial Services Regulatory Authority