

Dubai International Financial Centre Legal Framework and Financial Centre

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DIFC Region - A Favourable Economic Environment

- **42 countries** spanning the Middle East, North & Eastern Africa, the Caspian and the Subcontinent
- Population of **4.2 billion people** (2007)
- **US\$3.74 trillion combined GDP** (2007)¹
- Financial wealth of **high net worth individuals** in the Middle East region is estimated to be **growing at 19.7%**, surpassing the pace of growth of that in North America, Europe and Asia Pacific.²
- Regional wealth invested abroad: **\$1.8 trillion**
- DIFC Region **Total Exports > US\$1.15 trillion** (2007)
- DIFC Region **Total Imports > US\$9.87 billion** (2007)¹

¹ Source: EIU Data

² Source: Merrill Lynch Capgemini World Wealth Report 2006



Why Create A New International Financial Centre?

- The lack of an internationally-accepted common legal framework
- The absence of a regulated financial centre with full transparency
- Need to centralise regional wealth for further economic growth & development
- A deployment mechanism for the new wealth that's being created
- Need to control & manage wealth wherever it is invested
- Engine of International Financial Integration for the region



DIFC Region - A Favourable Economic Environment

- DIFC Region combined has approximately two third's of world's proven **oil reserves**.
- **Sharply rising oil prices** have resulted in enormous increases in export earnings and current account surpluses for oil producing countries.
- Current account surpluses running at **17% of GDP**, much of which is being recycled back into regional economies.
- GCC countries are now 'asset-based' economies
- Increased liquidity resulted in an **investment driven boom**, as witnessed by:
 - Real estate boom and asset price appreciation
 - Stock market boom
 - Credit market boom

Source: IMF World Economic Outlook April 2006, BP Statistical Review



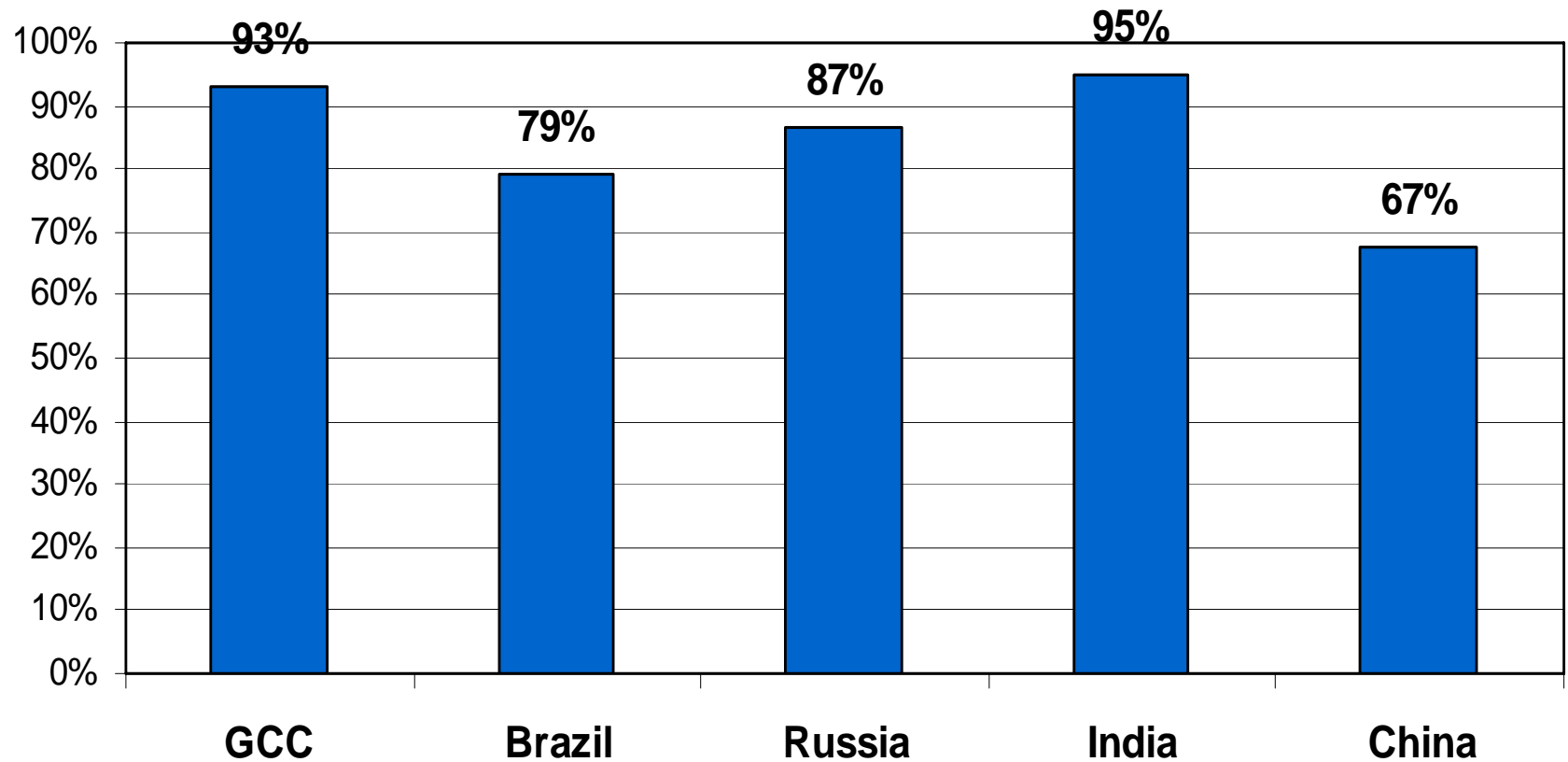
DIFC Region – Capital Markets

- Total **market capitalization** of equities listed on the 13 national exchanges of the MENA region totaled **US\$ 866 billion** as of December 2006, representing a growth of approximately 677% over a period of six years. The market capitalization at the end **August 2007 was US\$ 1036 billion**.
- The aggregate **volume of the shares** traded rose from 7.9 billion shares in the year 2000 to **100.69 billion shares traded** at the end of the six year period.

Source: Bloomberg, Zawya



Market Cap/GDP Estimates (%) 2007



Source: SHUAA Capital (August 2007); EIU.

The **vision** of the Dubai International Financial Centre (DIFC) is to shape tomorrow's financial map as a global gateway for capital and investment.

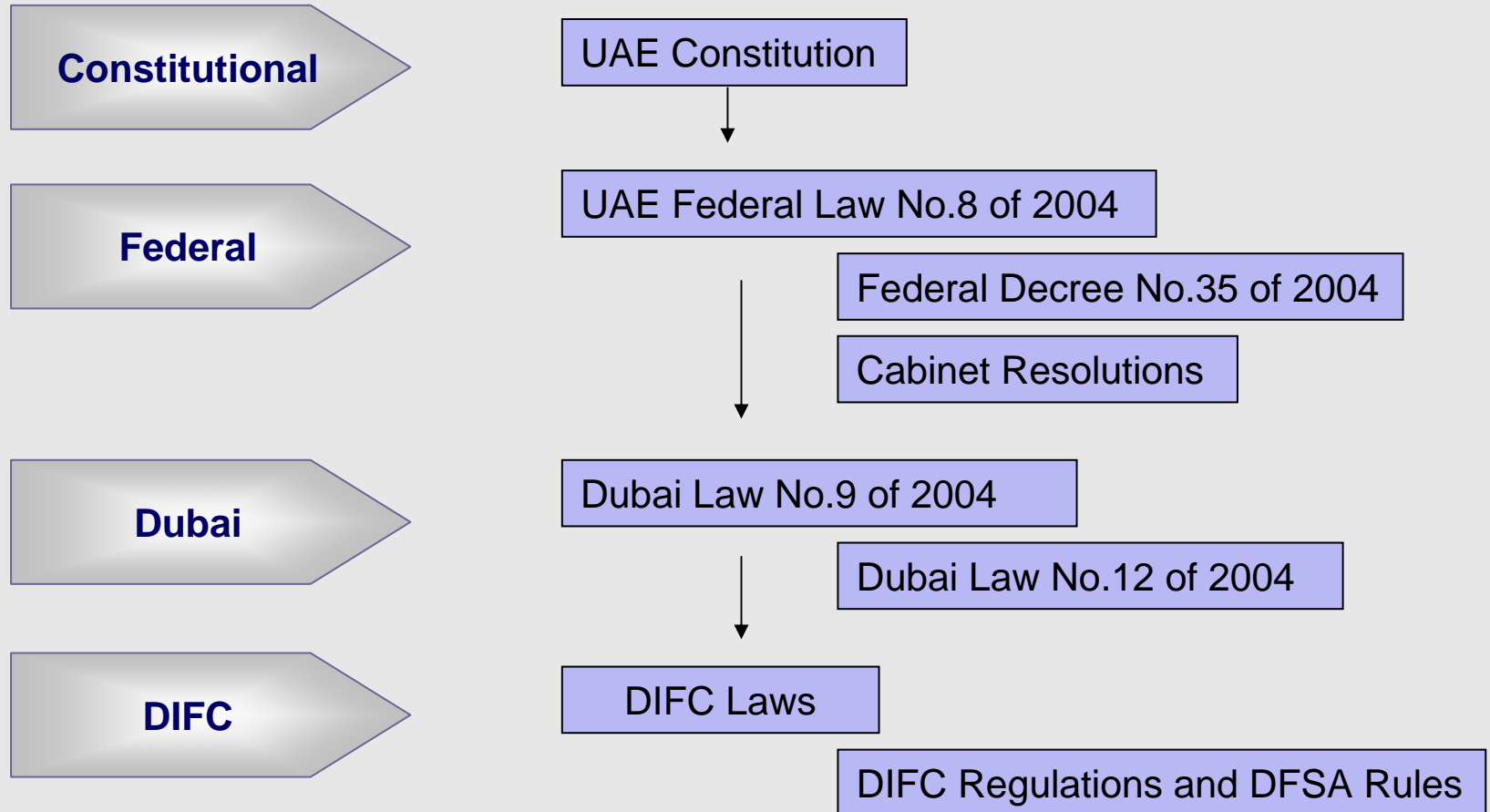
The **mission** of the DIFC is to be a catalyst for regional economic growth, development and diversification by positioning the DIFC as a globally recognized financial centre.

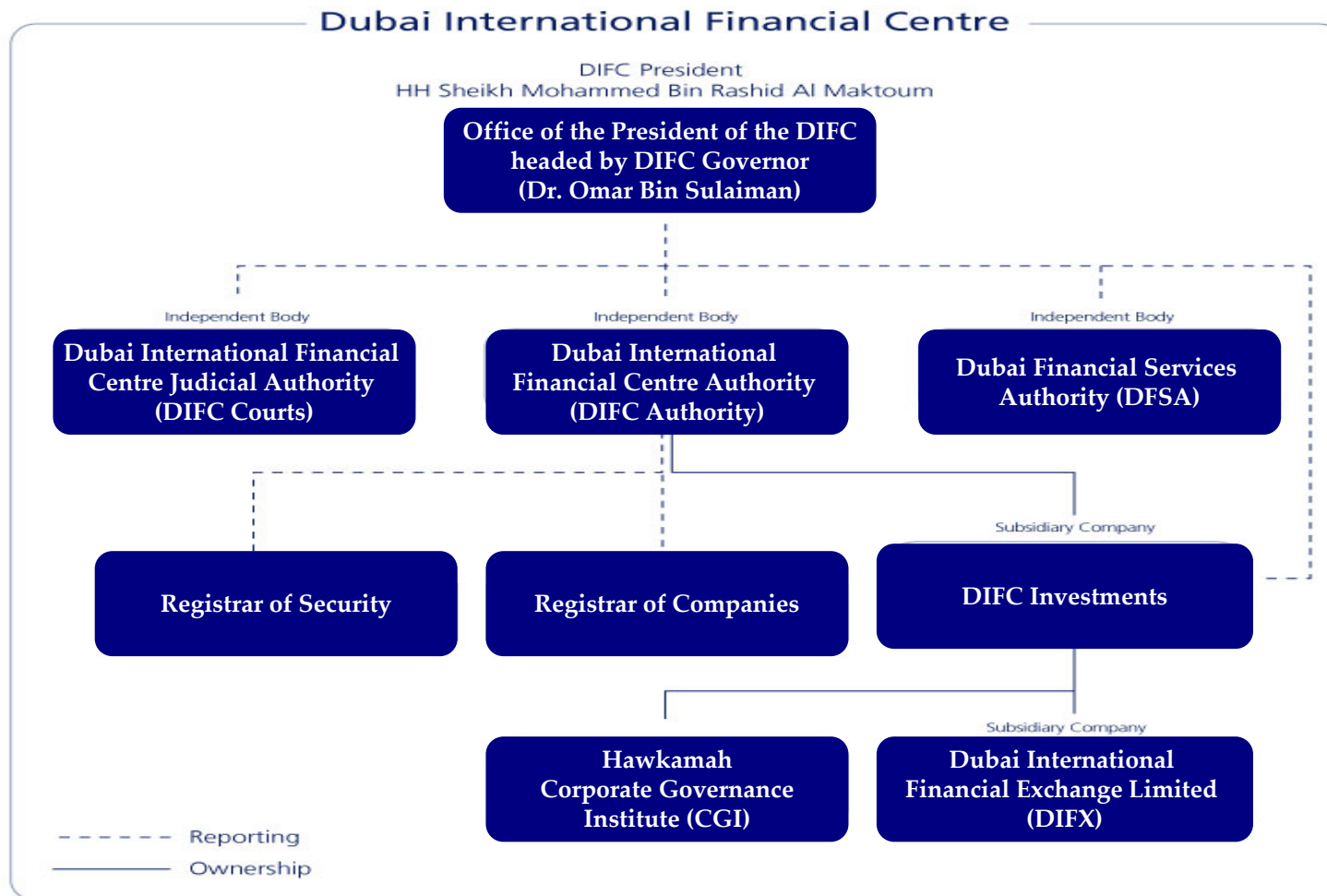


Role of Financial Sector Development for the Region

- Invest, Manage and Control region's financial wealth of \$2+ trillion and growing as a result of high energy prices:
 - Financial sector can be an engine of growth
 - Strategic issue: security and safety of assets
- Financing Infrastructure & Regional Economic Integration
- Develop new markets and instruments
- Enable & support economic and financial reforms:
 - Enable separation of oil revenue management from fiscal policy & investment
 - Privatisation and Private sector Participation in Infrastructure

DIFC- Hierarchy of Laws





DIFC- Core Bodies

**DIFC
Authority**

*DIFC
Authority*

Responsible for the strategic development of the Centre.

DIFX

*Dubai
International
Financial
Exchange*

Developing the international financial exchange

DFSA

*Dubai Financial
Services
Authority*

Rule-Making and Policy Development
Licensing and registration of DIFC Participants
Supervision of DIFC Participants
Enforcement of legislation

DJA

*DIFC Judicial
Authority*

An independent court with unlimited civil and commercial jurisdiction.

ROC

*Registrar of
Companies*

Responsible for incorporating and registering all the companies that operate within the DIFC, and for administering the Companies Law and Regulations.

DIFCI

*DIFC
Investments*

Responsible for all non public admin activities such as the operation and management of any current and future subsidiaries.



DIFC Role as a Regional Financial Centre

DIFC Key Milestones

- March 2006** First Hedge Fund to be domiciled in DIFC- Argent Financial Group International LLP
- September 2006** DIFC received “industry initiative of the year award” from The Review magazine’s Worldwide Reinsurance Awards.
- November 2006** DIFC launches the DIFC Workshops – a series of capacity building workshops that will support the development of financial markets in the region and aims to upgrade the technical financial skills among market participants.
- December 2006** The London Business School launches operations in Dubai at the DIFC, offering a Dubai-London executive MBA programme – the first time the University has set up its own branded programme overseas.
- January 2007** DIFC Issues a Data Protection Law, the first regime in the region to ensure the protection of all personal information in and from the DIFC.
- October 2007** DIFC Wins International Award for Best Government Initiative at the Society of Trust and Estate Practitioners (STEP) Awards 2007.

DIFC Role as a Regional Financial Centre

Regulatory Framework Built from Scratch

- As of September 13 2007, over 26 laws & regulations have been enacted establishing the basis for regulatory framework and allowing financial institutions to carry out activity in the DIFC.
- Cherry picked the best laws available in leading jurisdiction from around the world. (e.g. Regulatory Law is based on English Law, Insurance Regulations based on Bermuda Law, Trust Law similar to Singapore and US regulations.)
- Laws and regulations also promulgated to address Anti Money Laundering and Data Protection. DIFC is the only jurisdiction in region with a data protection regime.

DIFC Courts:

- An independent court system responsible for administering and enforcing the civil and commercial matters at the Centre.
- Laws have been designed to meet international standards of legal procedure.
- Based on English Common Law- offering institutions and companies the legal clarity and predictability known to them in other parts of the world.

DIFC Laws (October 2007)

DIFC Law No.	Law/Regulation	Administrative Authority		
		DIFCA	DFSA	DJA
No. 1 of 2004	Regulatory Law		✓	
No. 2 of 2004	Companies Law	✓		
No. 4 of 2004	Law Relating to the Application of DIFC Laws	✓		
No. 5 of 2004	Limited Liability Partnership Law	✓		
No. 6 of 2004	Contract Law	✓		
No. 7 of 2004	Insolvency Law	✓		
No. 8 of 2004	Arbitration Law	✓		
No. 10 of 2004	Courts Law			✓
No. 11 of 2004	General Partnership Law	✓		
No. 12 of 2004	Markets Law		✓	
No. 13 of 2004	Law Regulating Islamic Financial Business		✓	
No. 4 of 2005	Employment Law	✓		
No. 5 of 2005	Law of Obligations	✓		
No. 6 of 2005	Implied Terms in Contracts and Unfair Terms Law	✓		
No. 7 of 2005	Law of Damages and Remedies	✓		
No. 8 of 2005	Law of Security	✓		
No. 9 of 2005	Personal Property Law	✓		
No. 10 of 2005	Law on the Application of Civil and Commercial Laws	✓		
No. 11 of 2005	Trust Law		✓	
No. 1 of 2006	Collective Investment Law		✓	
No. 3 of 2006	Companies Law	✓		
No. 4 of 2006	Limited Partnership Law	✓		
No. 5 of 2006	Investment Trust Law		✓	
No. 1 of 2007	Date Protection Law	✓		
No. 4 of 2007	Real Property Law	✓		
No. 5 of 2007	Strata Title Law	✓		

DIFC Role as a Regional Financial Centre - DFSA Milestones

- **DFSA working with regional and international regulatory bodies and entering into cooperation and information sharing arrangements with other regulators and counterparties.**
- **DFSA has signed over 27 BI-lateral MOUs with various regulatory authorities around the world, including the UK FSA and US Federal Reserve.**
- **DFSA recognized by several leading international regulatory bodies:**
 - **The International Organisation of Securities Commissions (“IOSCO”), the world’s leading body of international securities regulation;**
 - **The Islamic Financial Services Board (“IFSB”), one of the leading industry associations for Islamic finance.**
 - **The Technical Committee of the International Association of Insurance Supervisors (IAIS), the peak international standard setting and representative organisation of insurance regulators and supervisors.**
- **DFSA introduced a regulatory regime for Collective Investment Funds, Investment Trusts and Real Estate Investment Trusts (REITs) including risk-based regulation for Hedge Funds.**

DFSA Financial Services Authorisation Categories

Category 1	Category 2	Category 3	Category 4	Category 5
Accepting Deposits	Dealing in Investments as Principal	Dealing in Investments as Agent	Arranging Credit or Deals in Investments	Islamic Financial Institution
Providing Credit		Operating a Collective Investment Fund	Advising on Financial Products or Credit	Entire Business Conducted in Accordance with Shari'a and Manages a Profit Sharing Investment Account
		Managing Assets	Arranging Custody	
		Providing Custody	Insurance Broking	
Manages a Profit Sharing Investment Account	Manages a Profit Sharing Investment Account	Manages a Profit Sharing Investment Account	Insurance Management	
\$10 Million	\$2 Million	\$500,000	\$500,000	



- ❖ **DIFC Judicial Authority oversees the independent administration and enforcement of Justice in the DIFC.**
- ❖ **Establishment of Court of First Instance and Court of Appeal- that deal exclusively with all claims arising from or within the DIFC and for the enforcement of judgments, orders and awards made by the Courts.**
- ❖ **Jurisdiction limited to civil & commercial matters**
- ❖ **All proceedings conducted in English**
- ❖ **Common law court (based on English Civil Procedure Rules and English Commercial Court Guide)**
- ❖ **Allows for matters to be heard in the court of another recognized jurisdiction if the parties so wish.**
- ❖ **Jurisdiction of DIFC Courts extends to the ratification of judgements, orders and awards handed down by other recognized courts**

For more detailed information go to <http://www.difccourts.ae>

DIFC: Sectors of Focus

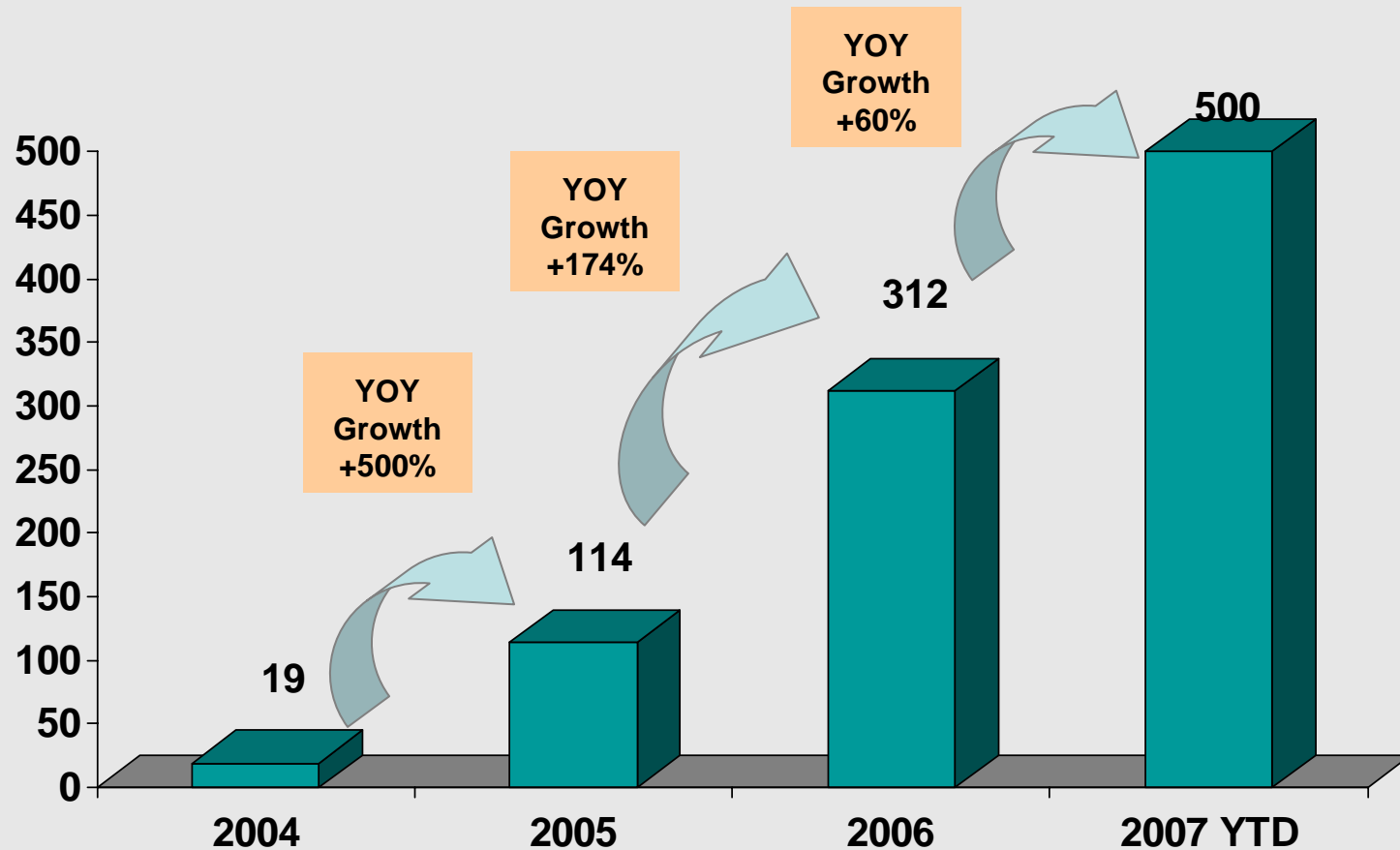
- **Banking Services**
(Investment Banking, Corporate Banking & Private Banking)
- **Capital Markets**
(Equity, Debt Instruments, Derivatives and Commodity Trading)
- **Asset Management & Fund Registration**
- **Islamic Finance**
- **Insurance & Reinsurance**
- **Business Processing Operations**
- **Ancillary Services**



Building a Regional Market: DIFC Strategy

- International Standard Legal & Regulatory Infrastructure with Independent Risk Based regulator (DFSA)
- Efficient & Sound Securities Listing & Trading Platform: DIFX
- Dubai Mercantile Exchange (co-NYMEX): pricing oil and commodities
- Tax efficient environment
- Modern, Secure, Multi-currency Payments Infrastructure
- Transparency & Disclosure: IFRS Accounting standards
- Corporate Governance: Hawkamah Institute for Corporate Governance
<http://www.hawkamah.org/>
- Link region's stock exchanges
- Instruments & Financial Technology:
 - Bond & Sukuk Market
 - Securitization,
 - Leasing,
 - Options & Derivatives,
 - Shari'a-compliant finance

Annual Growth in Number of DIFC Registered Companies



Data as of November 20, 2007

DIFX: An Integrated Market with a Breadth of Products...

A Fully Integrated Securities Market

- ✓ Equity Listings and Offerings
- ✓ Bonds
- ✓ Islamic Products (Sukuks/Funds/REITs)
- ✓ Funds, Indices & Structured Products
- ✓ Warrants
- ✓ REITs & ETFs

Dual Listings & Transfers

Regulatory Requirements in-line with international best practices

for more information please refer to www.difx.ae



DIFX - An International Trading Model...

- An automated electronic trading platform run by the **Atos Euronext Market Solutions NSC** trading platform.
- An anonymous, order-driven market that allows for Market Makers.
- Flexibility: provides a connectivity that allows providers of trading systems to make a technical connection to the exchange and to offer DIFX trading through their systems.
- Accessibility: using the existing worldwide GL network, members can easily and cost effectively connect through DIFX Terminals located in other jurisdictions.

for more information please refer to www.difx.ae



DIFC Role as a Regional Financial Centre – DIFX Milestones

Over past few years DIFX has developed close links with regional and international partners. These include 19 Members – 14 international and 5 regional - contractual agreements with market makers, and connections with the international central securities depositories Clearstream and Euroclear.

- Sept 2005** DIFX opens for business
- July 2006** DIFX becomes affiliate member of IOSCO
- Aug 2006** DIFX and FTSE Group launch Shari'a-compliant GCC country indices
- Dec 2006** DIFX becomes a correspondent member of the World Federation of Exchanges, the leading international body promoting the interests of securities markets.
- Aug 2007** DIFC launches DIFX TraX platform, the first structured products platform on an exchange in the region.
- Aug 2007** Dubai Government announced the consolidatation of its holdings in DFM and DIFX into a new holding company, BorseDubai.
- Sept 2007** The total value of Sukuk listed on the DIFX equaled \$13.78 billion as of September 25 2007, the highest of any exchange worldwide.
- Oct 2007** In collaboration with HSBC, DIFX launches Sukuk and Conventional Bond indices, expected to provide much-needed transparency and liquidity to regional markets
- Nov 2007** DP World lists its shares on the DIFX, marking the largest IPO by value in the region.

Dubai Mercantile Exchange



- Launched on 1st June 2007, The Dubai Mercantile Exchange Limited (DME), is a fully electronic exchange located within the Dubai International Financial Centre (DIFC)
- DME is a joint venture between Tatweer, a member of Dubai Holding, the New York Mercantile Exchange, Inc. (NYMEX) and the Oman Investment Fund (OIF)
- An international energy futures commodities exchange
- DME has developed and lists the Oman Crude Oil Futures Contract, addressing the growing market need for price discovery of Middle East Sour Crude Oil while simultaneously bridging the time-zone gap between Europe and Asia and North America
- DME is authorised and regulated by the DFSA and all trades executed on the Exchange are cleared through, and guaranteed by, NYMEX's AA+ rated clearinghouse

DIFC Role as a Regional Financial Centre

Islamic Finance Milestones

- December 2005** DIFC establishes Islamic Finance Advisory Council to promote the development of Islamic Finance. The seven-member council comprises seasoned executives and decision makers who provide expertise and insights into the Islamic Finance industry and marketplace.
- July 2006** Islamic International Rating Agency (IIRA), the region's leading Islamic rating agency, established a presence at the DIFC.
- October 2006** DIFX becomes the world's largest exchange for Sukuk, with the listing of a \$150 million Sukuk created by The Investment Dar Company.
- March 2007** World's first new Executive MBA specialized in Islamic Finance and Energy delivered in DIFC by Cass Business School
- March 2007** DFSA signs MoU with Bank Negara Malaysia in order to facilitate and remove regulatory barriers for Islamic finance transactions between the DIFC and Malaysia.
- June 2007** Through its investment arm, DIFC issues a US\$1.25 billion Sukuk, the largest rated and the largest Straight Sukuk to come out of the region.
- July 2007** DIFC Investments and Dubai Islamic Bank establish Waqf Trust Services, the First Exclusive Islamic Trust Services Provider in the World offering Sharia compliant trust services.

DIFC Role as a Regional Financial Centre

Hawkamah Institute for Corporate Governance

Since its official launch in Q2-2006, Hawkamah has:

- Attracted over 200 members
- Signed 28 MOU's with international and regional partners
- Received institutional support from all regulatory authorities and Central Banks of all GCC and ME countries.
- Developed a country specific capacity building program to address independent directors, board secretaries, and asset managers.
- Conducted jointly with the IFC a CEO survey of over 400 firms throughout the MENA region on private sector CG practices and perspectives
- Partnered with a capital market regulator in the Gulf to develop a corporate governance law and established a model for capital market corporate governance codes.
- Conducted an assessment of the corporate governance environment in the GCC Countries from an investor's perspective with over 100 stakeholders all over the GCC.
- Launched the Hawkamah – UAB Bank Award on Corporate Governance, the first of its kind in the Arab world. Award has received close to 40 submissions from regional banks representing 10 countries. Award to Burgan Bank, Dhofar & BKME runners up

DIFC Role as a Regional Financial Centre

Future Challenges

- To continue development of regulatory and legal framework that promotes product innovation and advances development of regional financial markets and links markets to east and west
- To continue promoting value added products and activities to be originated and executed from DIFC
- To continue promoting best practice, transparency and reform across region
- To continue promoting advancement of education, knowledge and skill transfer across region
- To continue promoting the collection and dissemination of reliable and timely statistical data, to build transparency, raise awareness of investments opportunities that would further help attract FDI and serve economic growth of Dubai and wider UAE
- To continue promoting effective leveraging of Dubai assets and investments locally and abroad

Introduction to DIFC

