



DIFC | Dubai International Financial Centre

The Economic Renaissance of the Middle East

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- **GCC, MENA & DIFC Region**
 - Economic & Financial Renaissance
- **Outlook on UAE & Dubai**
 - Diversification of the Economy
 - Role of the Free Zones
- **Role of DIFC in MENA Renaissance: Institutions, Structure, Laws & Regulation**
- **The Imperative of Capital Market Development**
- **“The Great Transformation of the GCC”**

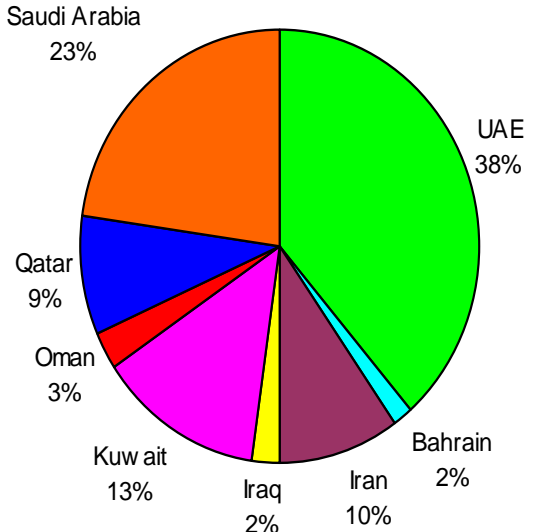
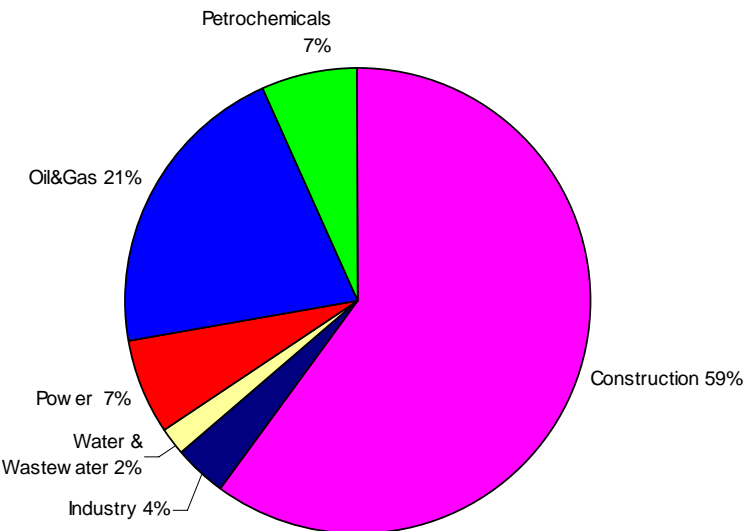
- **MENA countries have achieved above trend average real GDP growth 6.2% over 2004-2007 vs. 3.1% over 1998-2002**
- **The GCC has achieved above average growth rates: average real GDP growth of 6.4% over 2003-2007 vs. 3.2 % in 1998-2002, with increased diversification of economic activity, while in nominal terms growth has averaged over 25% p.a.**
- **Strong fundamentals and macroeconomic conditions characterized by large twin current account & fiscal surpluses and declining levels of public debt.**
- **Economic reforms, diversification and state divestment & privatisation: non-oil growing faster than oil sector**
- **Oil export receipts reached \$381bn in 2007, up 8% from 2006**
- **Growth resurgence has been investment led with increased infrastructure investment leading to ↑ in absorptive capacity and higher productivity growth; current infrastructure spending projected @ US\$ 1.8 trillion**
- **Sustained by strong Global growth led by Emerging Market Economies**
- **Limited impact of sub-prime and credit crunch**
- **Source: EIU, IMF & DIFC Economics**

- **Positive demographics & migration sustaining low labour costs & output growth**
- **Remittances have been a major, positive, growth-enhancing spillover for labour exporting countries**
- **Shift in the pattern of public spending and investment: more inward and intra-regional approach to investment**
- **Private sector is leading and driving regional economic integration of markets, FDI, Tourism, labor flows**
- **Emergence of multinationals: Dubai Ports, Etisalat, Emaar, Mittal, Orascom, MTC...**
- **Growth of Shari'a compliant finance**
- **GCC countries have formed a Common Market (Jan 2008) and moving towards increased economic integration with a Common Currency by 2010**

Massive Infrastructure Building: Productivity Growth & Economic Diversification (Gulf Projects by Sector & Country)



- As of May 2008 the pipeline of projects (including those under construction) is worth some US\$1.8 trillion



Source: MEED Project Tracker, 2008; DIFC Economics

Massive Wealth Creation

- Value of oil wealth of Middle East oil exporters increased by more than \$30 trillion between 1995 and 2007
- Given global energy demand growth projections, using conservative estimates for oil prices at \$85/bbl, the projected cumulative oil and natural gas revenues for the GCC in the 2005-2030 period totals \$10.1 trillion.
- US\$ Peg and accommodating monetary policies lead to high money and credit growth rates, and financing real estate and financial market booms with spectacular gains and excess returns in equity and debt market instruments
- Rise in inflation: prices of non traded goods & services, imported & food prices
- Increased liquidity resulted in an investment driven boom:
 - Real estate boom and asset price appreciation
 - Stock market boom
 - Credit market boom

- Total value of FWFs estimated by IMF at between \$1.9 trillion and \$2.9 trillion, growing to about \$12 trillion by 2012
- Distinguish between Stabilization Funds & Intergenerational Funds
- GCC countries need to diversify against commodity price volatility and revenue risks; earn higher returns than on central bank portfolios
- FWFs allow countries to separate the management of their revenues from natural resources from their fiscal and monetary policies: act as “automatic sterilization mechanisms”
- FWFs have exerted a stabilizing influence on markets by
 - Injecting capital in distressed banks => reduced financial crisis risk
 - Continuing to buy US government securities
- But facing increased investment & financial protectionism
- Need cooperative solution to resolve global imbalances

- Dubai is strategically located international trading hub with some of the world's best air and sea ports serving over 205 destinations.

- Dubai economy is well diversified and continues to grow at an astonishing rate.

- During 2000-2006, Dubai's GDP grew by a compounded annual growth rate (CAGR) of 13% in real terms while the population grew by CAGR of 9%. Real per capita income grew by 4% during the same period.

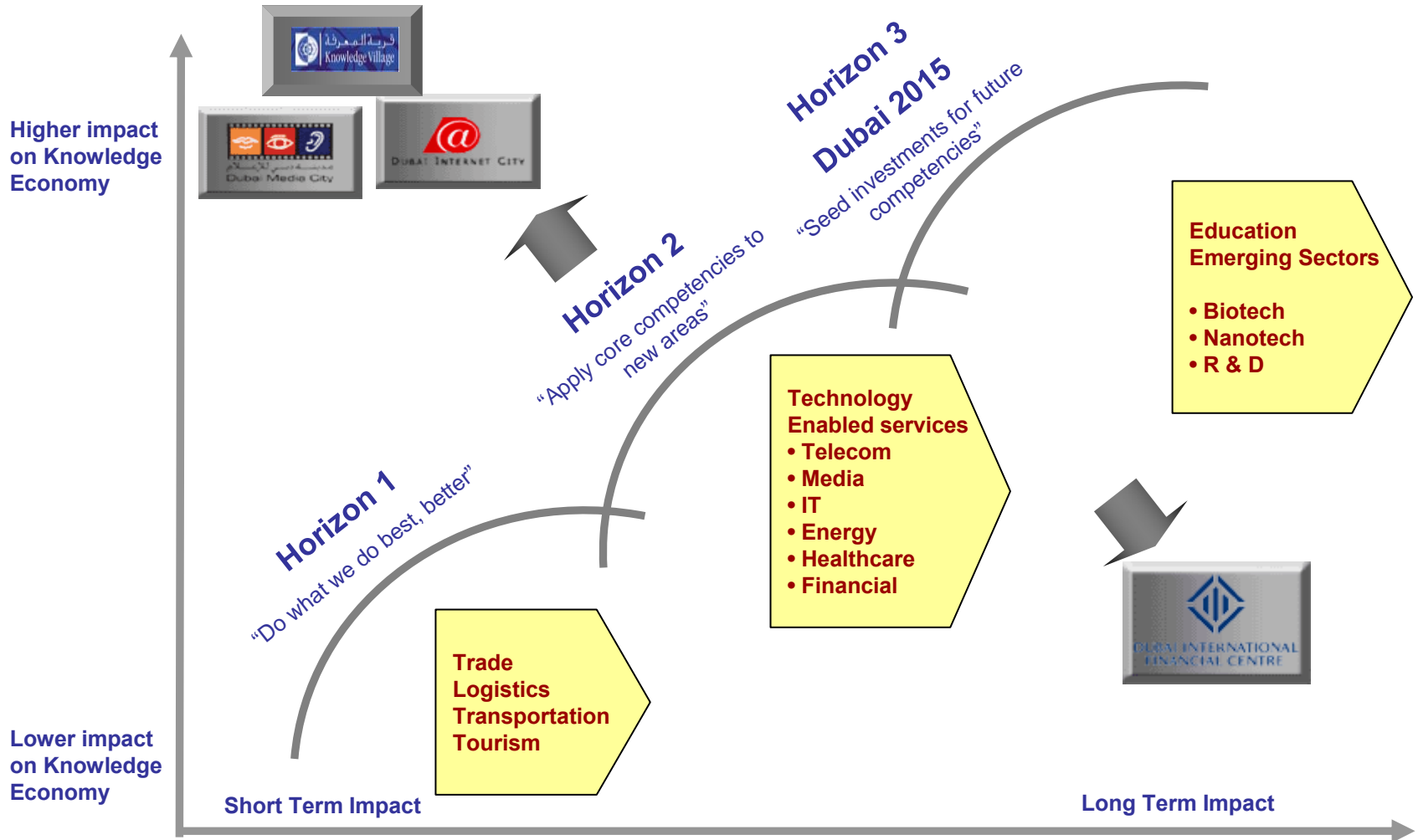
- Oil has played a progressively diminishing role in Dubai's economy and by 2010 it is expected to account for less than 1 percent of Dubai's GDP.

- The service sector in particular has been the key driver of economic growth with an annual growth rate of 21% since 2000.

Macro Indicators

	2004	2005	2006
Population (mil)	1,07	1,32	1,42
GDP (mil) US\$	31,580	37,386	45,008
GDP (non-Oil Sector)	29,794	35,394	42,874
GDP (Construction)	3,513	4,389	5734
GDP (Transport & Communication)	4,039	4,853	5709
GDP (Financial Sector)	3,081	3,648	4577
GDP (Wholesale & Retail Trade)	7,162	8,343	9650
GDP (Manufacturing)	4,472	5,901	7,059
Imports (Direct Trade)	39,745	50,775	58,632
Export (Direct Trade)	2,571	2,994	4,868
Re-Export (Direct Trade)	15,210	21,019	20,882
Imports (Free Zone)	18,343	26,418	29,609
Exports & Re-Exports (Free Zone)	14,023	20,994	22,032

- **The strategy for economic diversification hinges on the Free Zones, i.e. designated areas where firms operating in a specific sector cluster and operate under a special legal and regulatory regime which complies with international standards and best practices.**
- **Free Zones are separated from the legal system of the country and offer a more business friendly environment to foreign investors, for example in terms of ownership, administrative permits, employment laws, custom duties and taxation, with a zero rate for personal and corporate taxation**
- **In Dubai 18 Free Zones, including the DIFC, are already operational and 5 more are in the pipeline.**
- **Other countries in the GCC, notably Saudi Arabia and Qatar, new Free Zones are being created to attract foreign investors.**



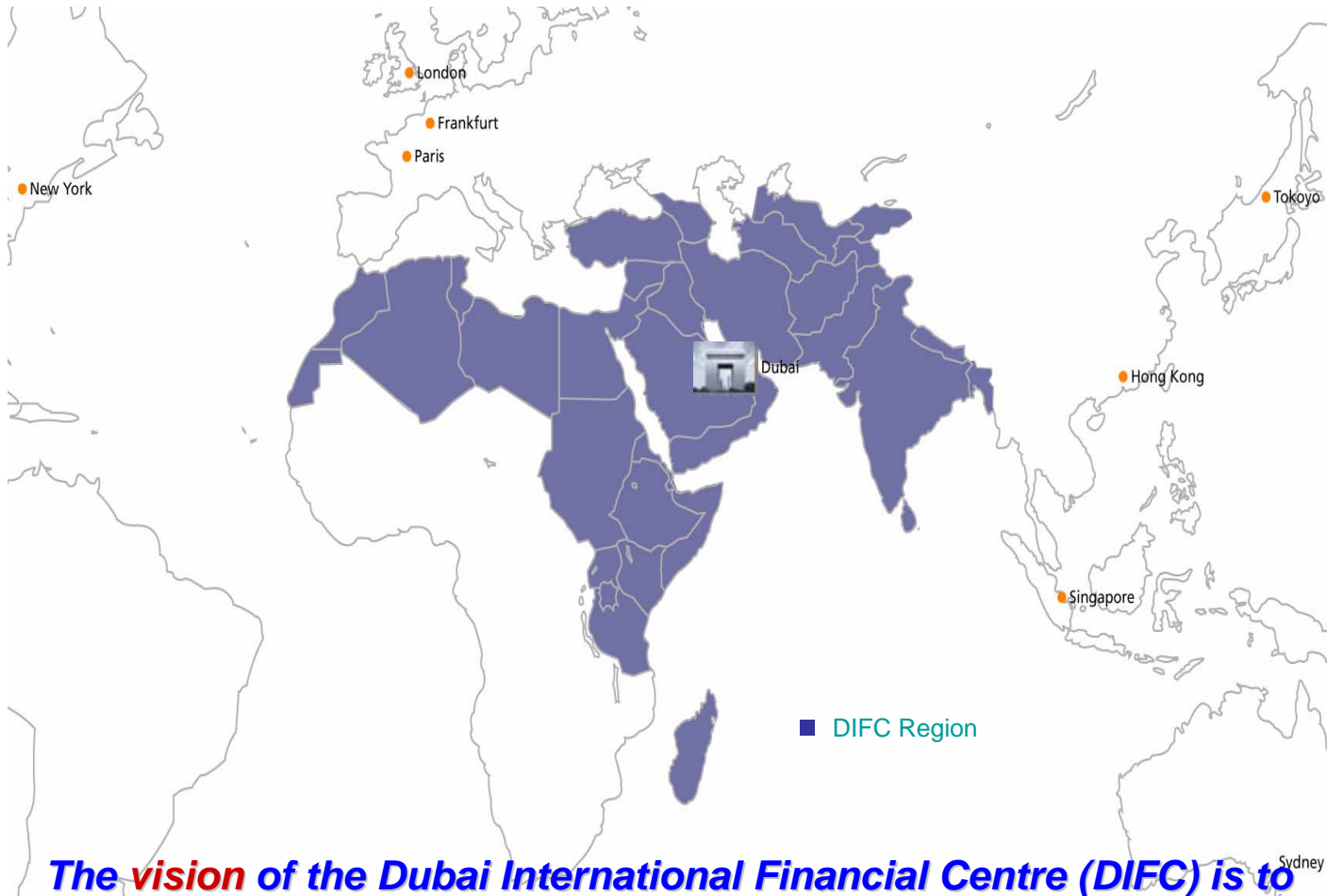
The Dubai Strategic Plan 2015 builds on current strengths and focuses on 5 key objectives to create a XXI century economy

The Economic Development Plan (EDP) aims to:

- Sustain real GDP growth of 11% per annum
- Increase real per capita GDP from \$31,000 to \$44,000 by 2015,
- Increase productivity by 4% per annum
- Focus on strategic sectors: Trade & Tourism, Logistics, Financial Services
- Create new sectors of growth with sustainable competitive advantage diversifying away from the energy sector

Cluster Based Economy: 18 Free Zone Areas



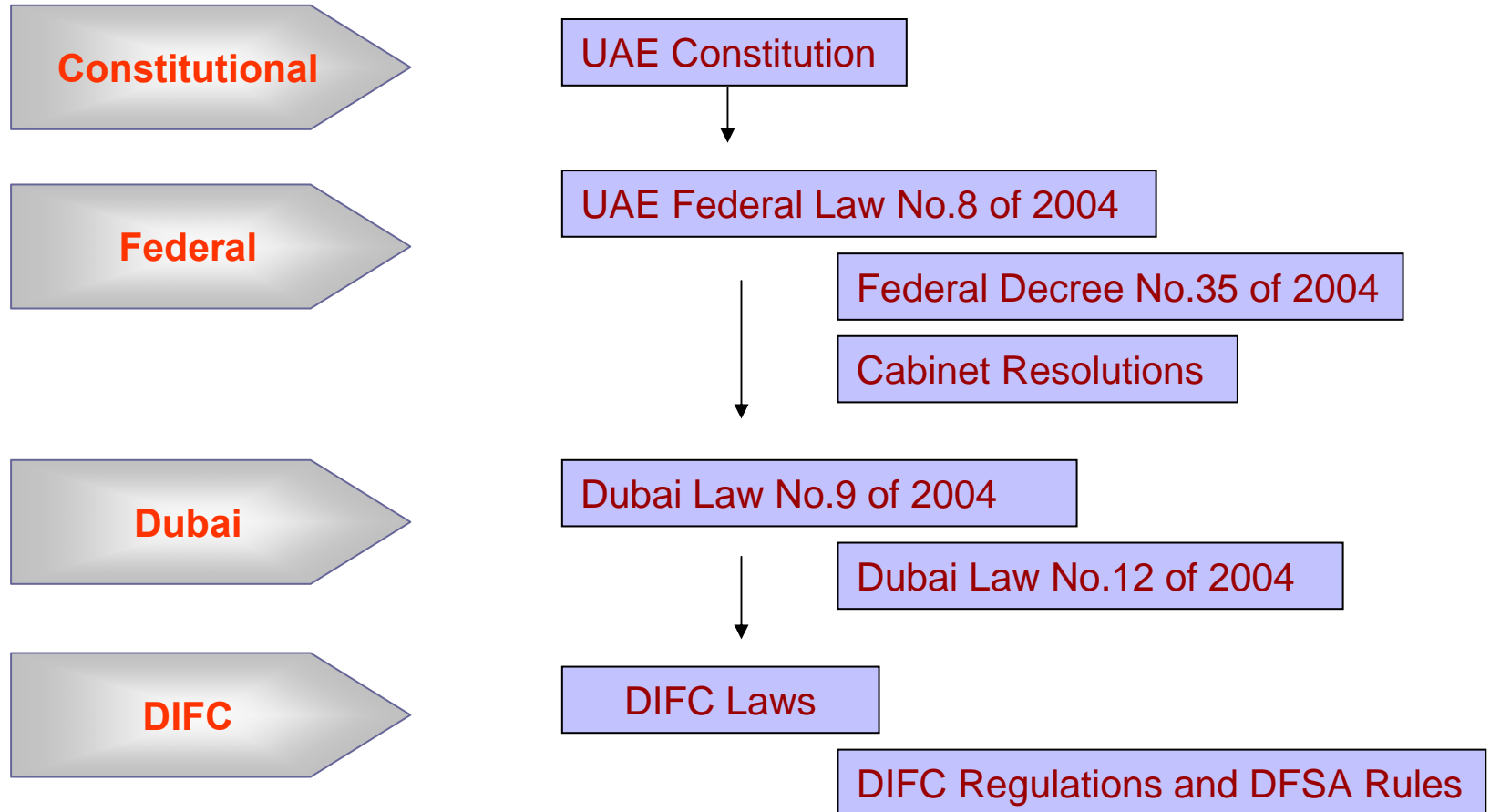


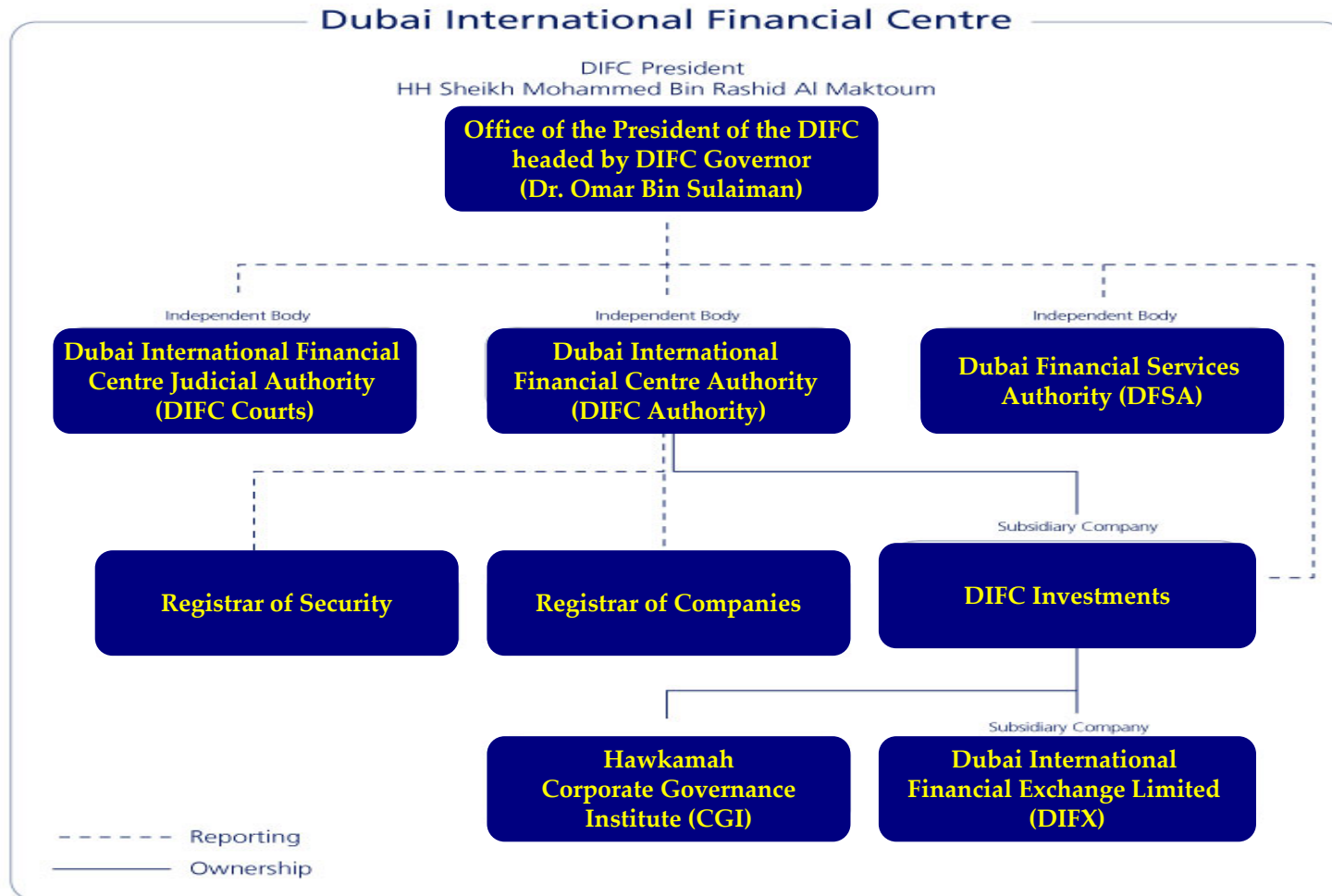
- Internationally-accepted common legal framework
- Regulated on-shore financial centre with full transparency
- Platform to centralise regional wealth for economic growth & development
- Deployment channel for new wealth
- Link to the international markets

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

- **41 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)**
- **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.**
- **Regional wealth invested abroad: \$2.1 trillion**
- **DIFC Region Total Exports > US\$1.15 trillion (2007)**
- **DIFC Region Total Imports > US\$ 1.02 trillion (2007)**

The Special Status of DIFC





DIFC - Core Divisions



**DIFC
Authority**

Responsible for the strategic development of the Centre.



**Dubai
International
Financial
Exchange & Dubai
Financial Market**

Developing the international financial exchange



**Dubai Financial
Services
Authority**

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



**DIFC Judicial
Authority**

An independent court with unlimited civil and commercial jurisdiction.



**Registrar of
Companies**

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



**DIFC
Investments**

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

DIFC Law No	Law
No. 1 of 2004	<u>Regulatory Law</u>
No. 2 of 2004	<u>Companies Law</u>
No.4 of 2004	<u>Law relating to the application of DIFC Laws</u>
No.5 of 2004	<u>Limited liability partnership Law</u>
No.6 of 2004	<u>Contract Law</u>
No. 7 of 2004	<u>Insolvency Law</u>
No.8 of 2004	<u>Arbitration Law</u>
No. 10 of 2004	<u>DIFC Court Law</u>
No.12 of 2004	<u>Markets Law</u>
No.13 of 2004	<u>Law regulating Islamic Financial Business</u>
No.4 of 2005	<u>Employment Law</u>
No.5 of 2005	<u>Law of Obligations</u>
No.6 of 2005	<u>Implied terms in contracts and unfair terms Law</u>
No.7 of 2005	<u>Law of damages and remedies</u>
No.8 of 2005	<u>Law of security</u>
No.9 of 2005	<u>Personal Property Law</u>
No.11 of 2005	<u>Trust Law</u>
No. 1 of 2006	<u>Collective Investment Law</u>
No.3 of 2006	<u>Companies Law</u>
No.4 of 2006	<u>Limited Partnership Law</u>
No.1 of 2007	<u>Data Protection Law</u>
No.4 of 2007	<u>Real Property Law</u>
No. 5 of 2007	<u>Strata Title Law</u>

- ❖ The DIFC has a judiciary system independent of the UAE legal framework.
- ❖ Legal system based on Common Law of England & Wales, only Common Law jurisdiction in the region.
- ❖ DIFC Court is the independent tribunal that administers and enforces justice, dealing exclusively with claims arising within the DIFC district. It comprises of:
 1. *A Court of First Instance; and*
 2. *A Court of Appeal.*
- ❖ The DIFC court has jurisdiction over civil & commercial matters.
- ❖ All proceedings conducted in English and are based on Common law , specifically on English Civil Procedure Rules and English Commercial Court Guides.
- ❖ The Court allows for matters to be heard in the court of another recognized jurisdiction if the parties so wish.

***Independent integrated Regulatory Authority
(FSA Model)***

***Statutory authority with guaranteed
operational independence and funding***

***Regulatory approach that is based on
international standards, best practices and
laws of the world's leading financial
jurisdictions***

Category 1	Category 2	Category 3	Category 4	Category 5
Accepting deposits or providing credit	Dealing in investments as principal	Dealing in investments as agent or Managing Assets	Arranging Credit or Deals in Investments or Arranging Custody	Islamic Financial Institution

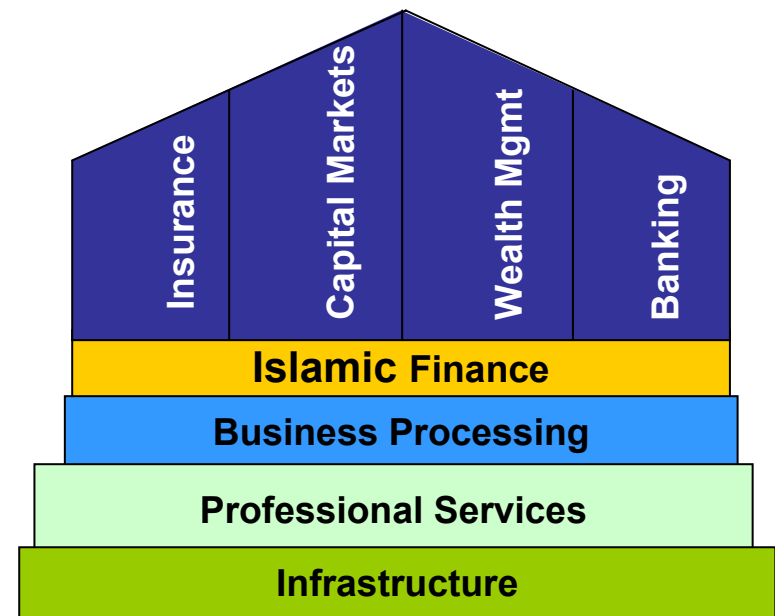


**Decreasing
Capital Requirements
and
Prudential Risks**

**Capital
Requirements
may vary**

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	

- **Banking & Brokerage Services**
 - (Investment Banking, Corporate Banking & Private Banking)
- **Capital Markets**
 - (Equity, Debt Instruments, Derivatives and Commodity Trading)
- **Wealth Management**
 - (Family Office, Trust Services)
- **Islamic Finance**
- **Fund Registration & Domiciliation**
- **Insurance & Reinsurance**
 - (Takaful/Retakaful, Captives)
- **Business Processing Operations**
- **Professional Services**



...an autonomous international association promoting corporate governance in the Middle East North Africa, Central Asia, supported by the Dubai International Financial Centre.

MISSION:

Assist the countries and companies of the region to develop and implement sound and globally well integrated corporate governance frameworks.

VISION:

Drive institution building, corporate sector reform, good governance, and sustainable economic development and growth in the region.

➤ **WHAT Hawkamah Does:**

Provide technical assistance on regulatory and firm levels to develop the optimal corporate governance environment

Conduct CG assessments and prepare CG improvement plans

Provide advisory services to companies

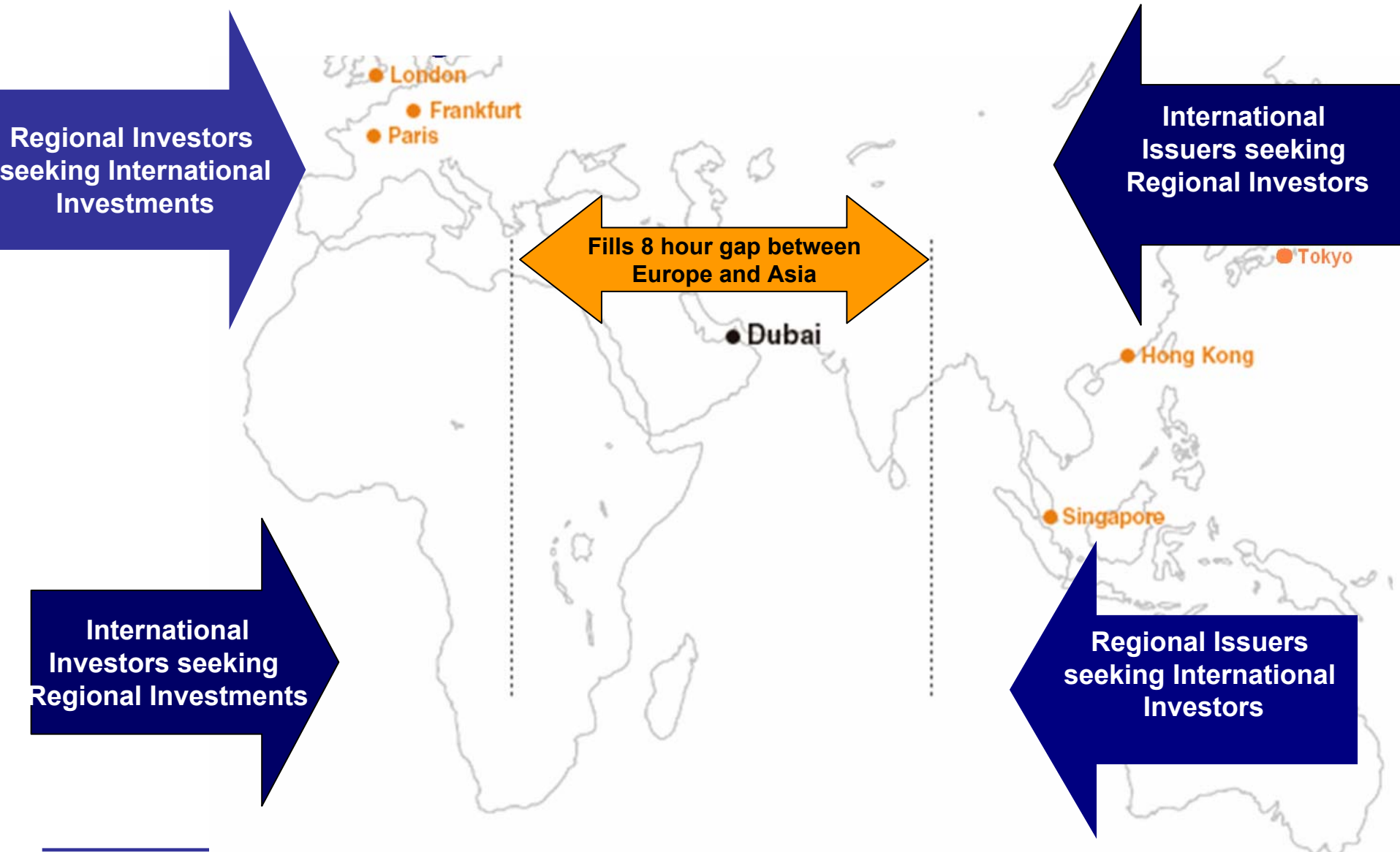
Develop and implement training programs: Board Development Programme, Board Secretary Programme.

Serve as a knowledge centre and clearinghouse for corporate governance best practices from the region and beyond.

Monitor & Report on the state of corporate governance

Partial Listing of Strategic Partners:

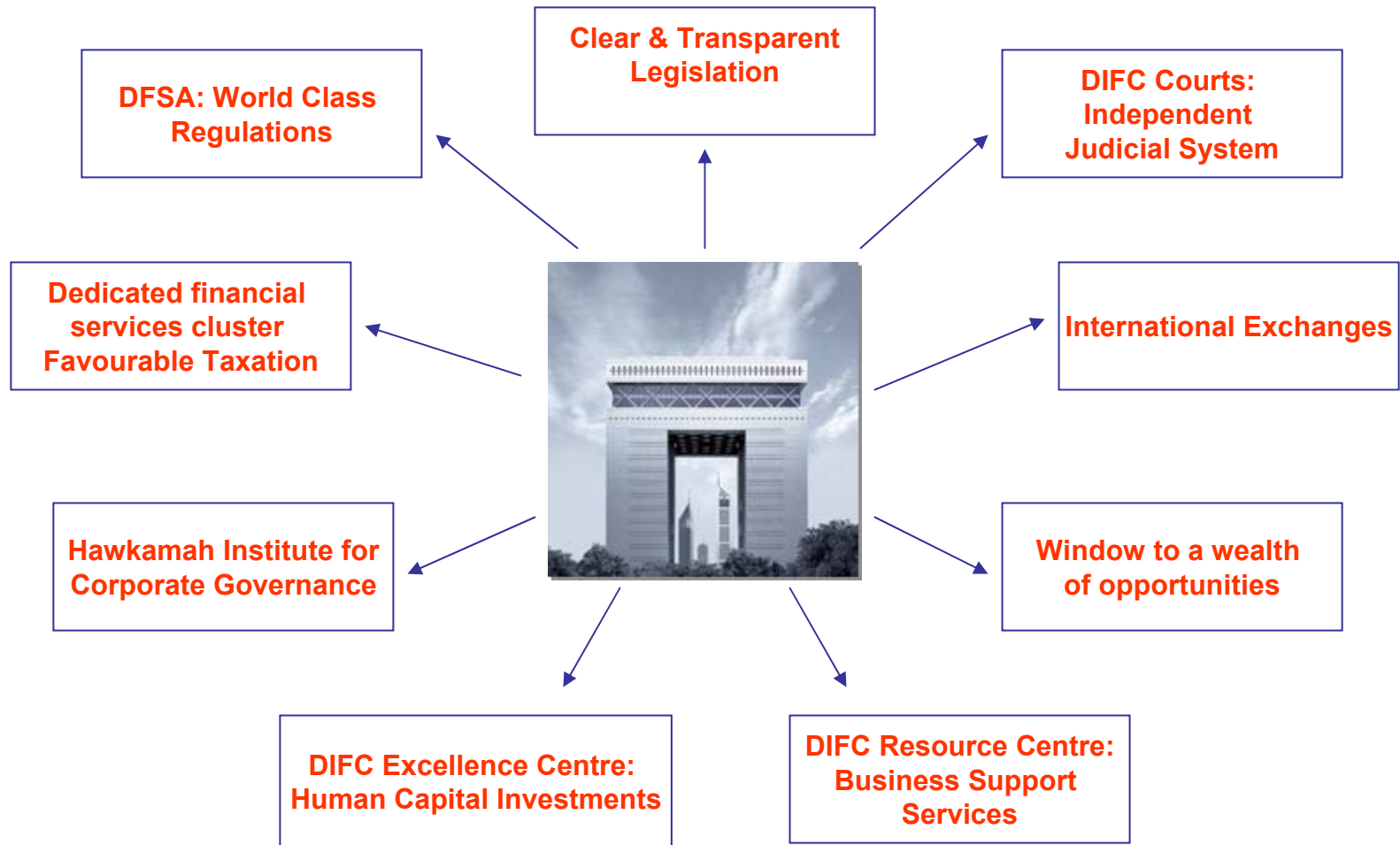




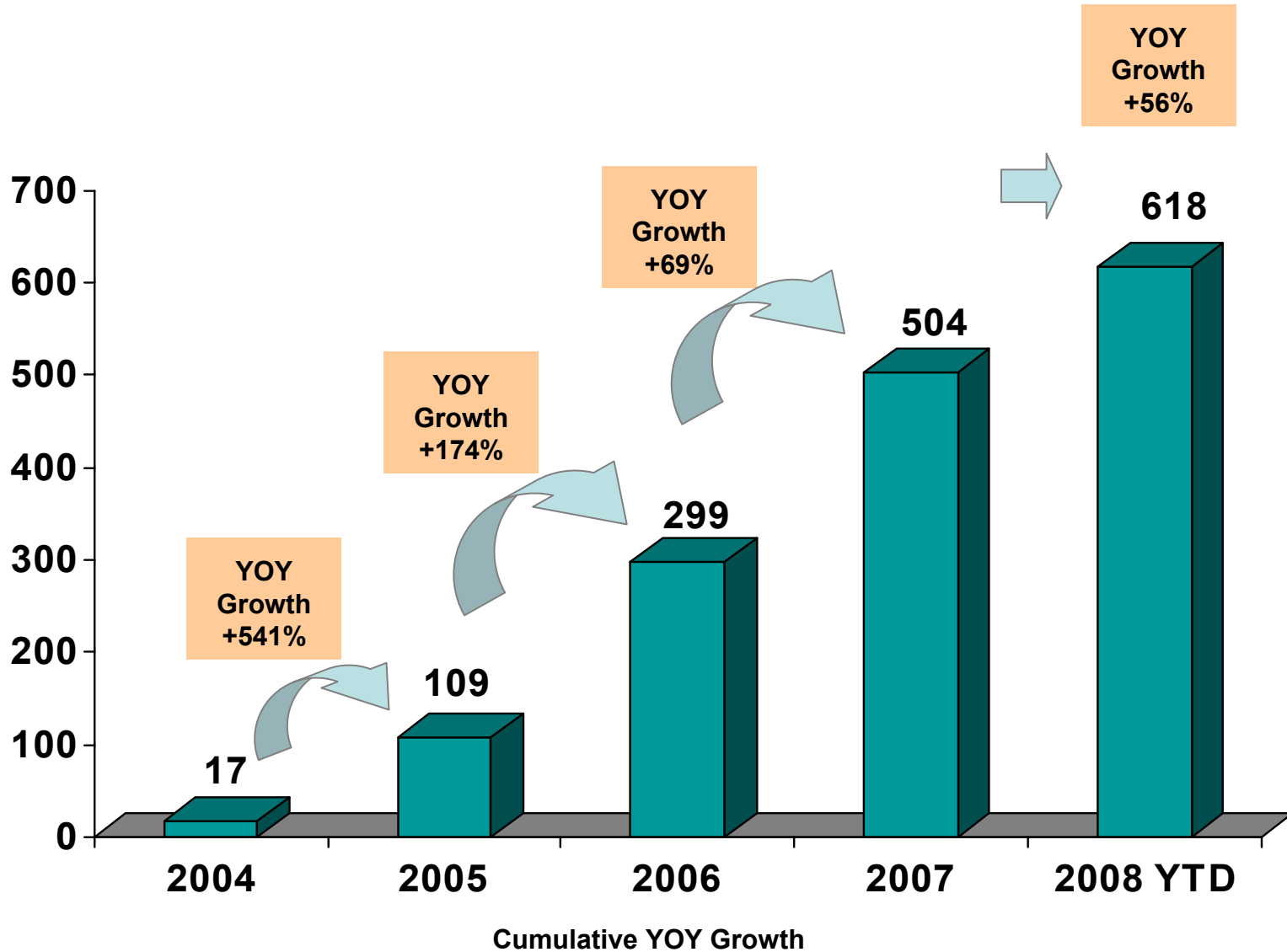
- Borse Dubai was created in 2007.
- Borse Dubai is the holding company for Dubai Financial Market (DFM) and Dubai International Financial Exchange (DIFX).
- The purpose to create Borse Dubai was to consolidate the two stock exchanges in Dubai (DFM & DIFX) as well as current investments in other exchanges to expand Dubai's position as a capital market hub in the region.
- NASDAQ has strategic shareholding in DIFX and partnering with Borse Dubai to link and integrate the region's financial markets
- DIFX is a fully integrated electronic exchange and is now largest Bond/Sukuk Market in the ME
- The number of companies under Borse Dubai: DIFX (21) & DFM (56),
Total = (77)



- 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), is an international energy futures and 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.
- DME has 72 members and the number is growing.



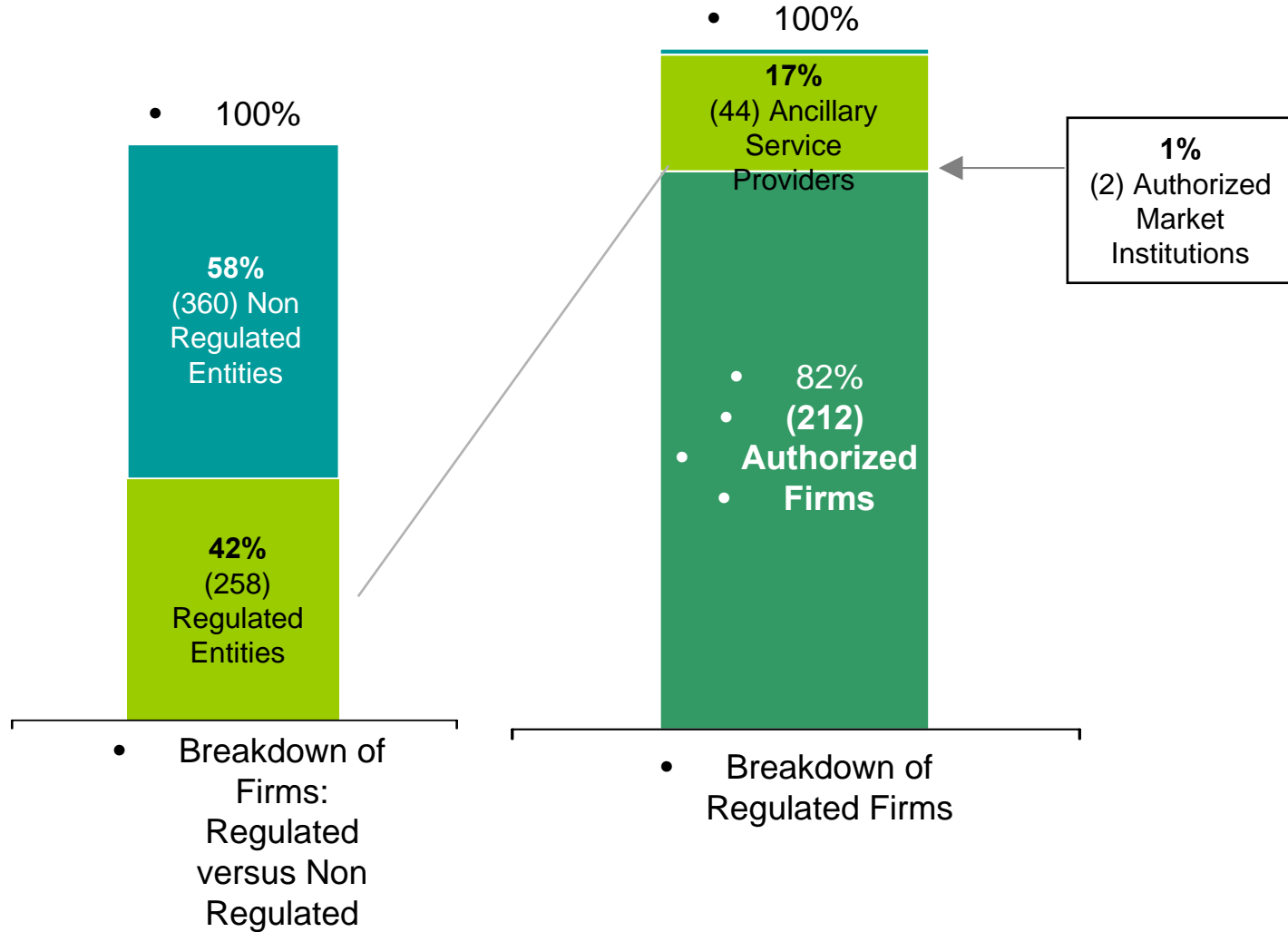
Yearly Growth in Number of DIFC Registered Companies



Data as of May 31, 2008

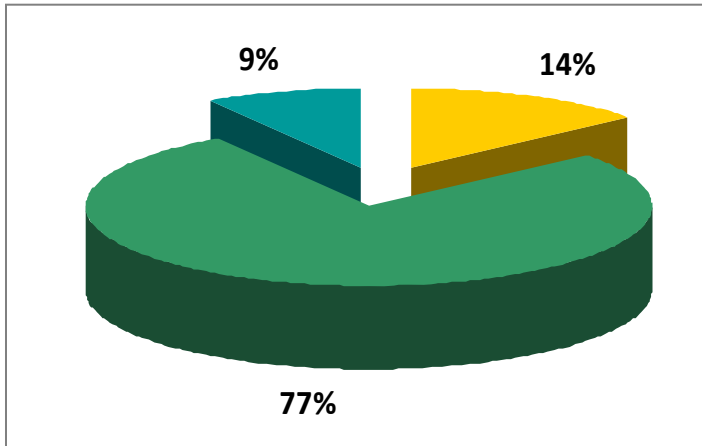
Source: ROC Data, DFSA Register

As of May 31, 2008 there were 618 companies registered at the DIFC.

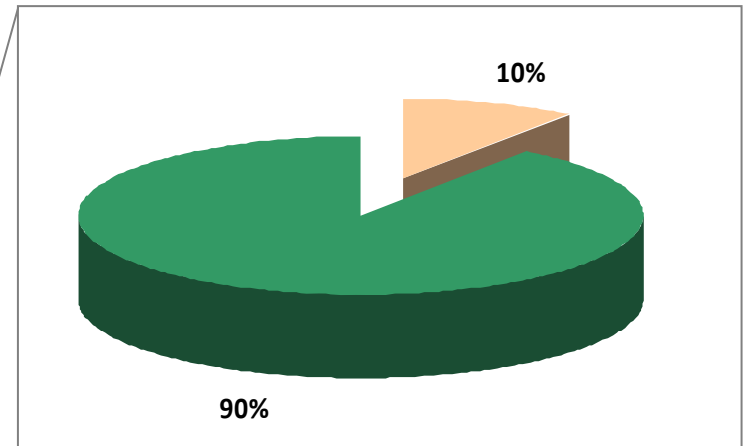


Data as of May 31, 2008
 Source: ROC Data, DFSA Register

Breakdown of Authorized Firms



Banks & Credit Providers*	28
Diversified Financials	
163	
Insurance	
Total Authorized Firms	
212	



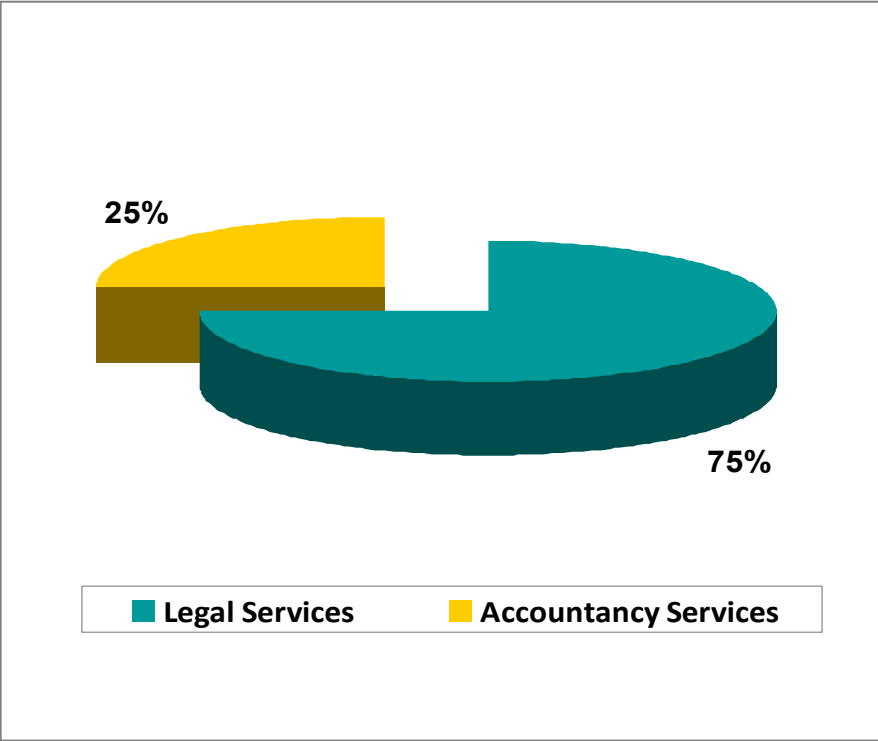
% of Firms with IF Business Endorsement	9%
Firms with IF Business Endorsement	19
Islamic Finance Institutions	9
Islamic Finance Windows	10

Data as of May 31, 2008

*Banks & credit providers include firms licensed to carry out deposit taking and/or providing credit and/or dealing in investments as principal. Diversified financials includes all other excluding insurance related business.

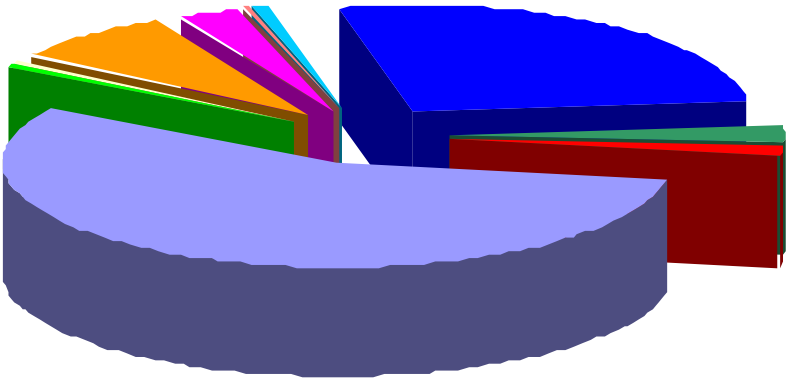
Source: ROC Data, DFSA Register

Breakdown of Regulated ASPs



Accountancy Service Providers	11
Legal Service Providers	33
Total ASPs	44

Data as of May 31, 2008
Source: ROC Data, DFSA Register



- | | |
|--|------------------------------|
| ■ Company Limited by Shares | ■ Foreign Recognised Company |
| ■ General Partnership | ■ Limited Liability Company |
| ■ Limited Liability Partnership | ■ Limited Partnership |
| ■ Non DIFC Entity | ■ Recognised Company |
| ■ Recognised Limited Liability Partnership | ■ Recognised Partnership |

- **GCC have become ‘asset-based economies’ with income from assets becoming more important than oil & gas revenue**
- **DIFC’s role is to Invest, Manage and Control region’s financial wealth of \$2.6 trillion and growing as a result of high energy prices**
- **DIFC building payment system infrastructure: RTGS for \$ and Euro**
- **Financing Infrastructure & Regional Economic Integration**
- **Enable & support economic and financial reforms:**
 - **Enable separation of oil revenue management from fiscal policy & investment**
 - **Privatisation and private sector participation in infrastructure**
- **GCC Common Currency will emerge as a global currency alongside US\$, Euro and Remimbi; need to develop payment System Infrastructure**
- **Change in Global Economic Geography requires accompanying change in Global Financial Geography**









DIFC | Dubai International Financial Centre

THE ECONOMIC RENAISSANCE OF THE ME/GCC

A Time for Vision

A Time for Action

A Time for Architects and Designers

A Time for Builders & Investors

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