Middle East and the World Economy
Opportunities and Challenges

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Agenda

DIFC

- World, MENA, GCC and Dubai Economic Outlook
- Family Business – Expansion Opportunities
- DIFC's Infrastructure to Support Family Businesses/Offices
- Prospects

World Growth Outlook: Stagflation

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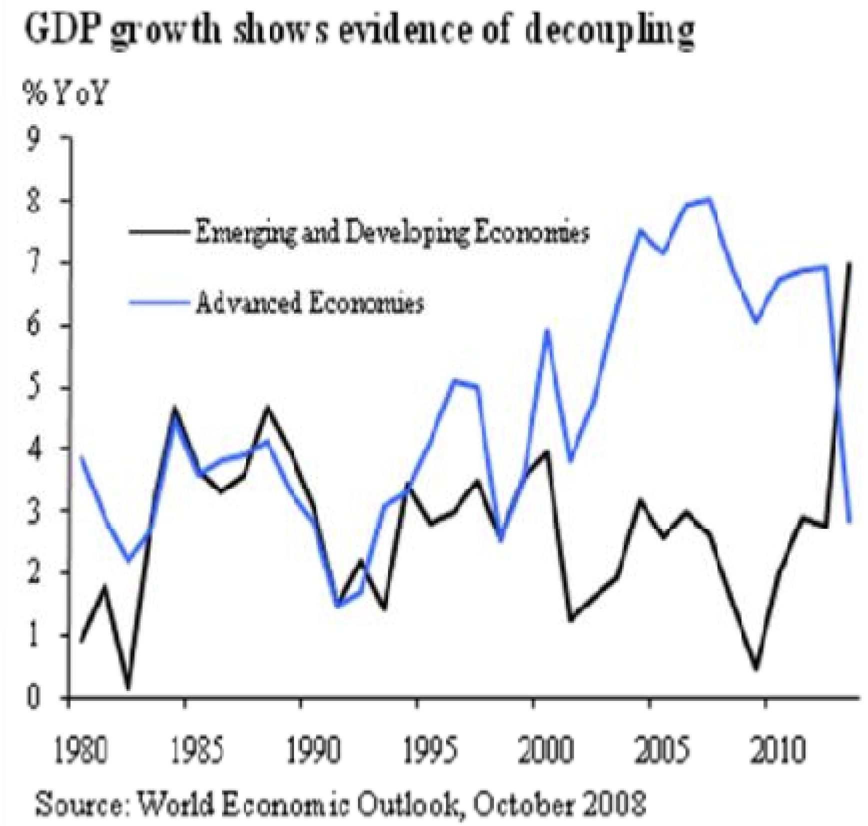
	Year over Year						Q4 over Q4		
			Projections		Difference from July 2008 WEO Projections		Estimates	Projections	
	2006	2007	2008	2009	2008	2009	2007	2008	2009
World output[1]	**5.1**	**5.0**	**3.9**	**3.0**	**–0.2**	**–0.9**	**4.8**	**2.8**	**3.2**
Advanced economies	3.0	2.6	1.5	0.5	–0.2	–0.9	2.6	0.7	1.0
United States	2.8	2.0	1.6	0.1	0.3	–0.7	2.3	0.8	0.4
Euro area	2.8	2.6	1.3	0.2	–0.4	–1.0	2.1	0.4	0.6
Germany	3.0	2.5	1.8	—	–0.2	–1.0	1.7	0.7	0.6
France	2.2	2.2	0.8	0.2	–0.8	–1.2	2.2	–0.1	0.8
Italy	1.8	1.5	–0.1	–0.2	–0.6	–0.7	0.1	–0.1	0.2
Spain	3.9	3.7	1.4	–0.2	–0.4	–1.4	3.2	0.1	0.1
Japan	2.4	2.1	0.7	0.5	–0.8	–1.0	1.4	0.2	0.9
United Kingdom	2.8	3.0	1.0	–0.1	–0.8	–1.8	2.9	–0.3	0.7
Canada	3.1	2.7	0.7	1.2	–0.3	–0.7	2.8	0.3	1.7
Other advanced economies	4.5	4.7	3.1	2.5	–0.2	–0.8	5.0	2.0	3.7
Newly industrialized Asian economies	5.6	5.6	4.0	3.2	–0.2	–1.1	6.1	2.6	5.4
Emerging and developing economies[2]	7.9	8.0	6.9	6.1	—	–0.6	8.5	6.1	6.5
Africa	6.1	6.3	5.9	6.0	–0.5	–0.4	. . .	. . .	. . .
Sub-Sahara	6.6	6.9	6.1	6.3	–0.5	–0.5	. . .	. . .	. . .
Central and eastern Europe	6.7	5.7	4.5	3.4	–0.1	–1.1	. . .	. . .	. . .
Commonwealth of Independent States	8.2	8.6	7.2	5.7	–0.6	–1.5	. . .	. . .	. . .
Russia	7.4	8.1	7.0	5.5	–0.7	–1.8	9.5	5.9	5.8
Excluding Russia	10.2	9.8	7.6	6.2	–0.2	–0.8	. . .	. . .	. . .
Developing Asia	9.9	10.0	8.4	7.7	—	–0.7	. . .	. . .	. . .
China	11.6	11.9	9.7	9.3	—	–0.5	11.3	9.2	9.4
India	9.8	9.3	7.9	6.9	–0.1	–1.1	8.9	7.2	6.9
ASEAN–5	5.7	6.3	5.5	4.9	–0.1	–1.0	6.6	4.7	5.7
Middle East	5.7	5.9	6.4	5.9	0.2	–0.1	. . .	. . .	. . .
Western Hemisphere	5.5	5.6	4.6	3.2	0.1	–0.4	. . .	. . .	. . .

Source: IMF World Economic Outlook, October 2008.

MENA - ahead of the global economy

- Emerging markets have contributed 2/3 of global growth since 2002.
- EM Major beneficiaries of 'Great Moderation' - the large decline in the volatility of inflation and real GDP - starting in the early 1980s .
- **Increased evidence of 'de-coupling'** from US/EU business cycles
- MENA countries have achieved above trend average real GDP growth (5.7% over 2004-2007).
- GCC have achieved average real GDP growth of 6.4% over 2004-2007 vs. 4.0% in 1998-2002, with increased diversification of economic activity, while in nominal terms growth has averaged over 25% p.a.



- **Continued high growth is forecast in 2008: MENA at (6.3%), GCC at (7.1%), oil exporters (6.4%) and Central Asia (7.7%).**
- **Growth is investment led with strong private sector participation and record FDI levels.**
- **Investment & infrastructure leading to an increase in productivity growth, economic diversification and absorptive capacity.**

Source: EIU, IMF & DIFC Economics

GCC : Strong Macroeconomic conditions

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Real GDP Growth (in %)							
	Average				*Est.*	*Proj.*	*Proj.*
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	5.6	5.6	7.9	6.5	6.0	6.3	6.0
Kuwait	13.4	10.7	11.4	6.3	4.6	5.9	5.8
Oman	4.6	5.3	6.0	6.8	6.4	7.4	6.0
Qatar	8.9	17.7	9.2	15.0	15.9	16.8	21.4
Saudi Arabia	3.7	5.3	5.6	3.0	3.5	5.9	4.3
United Arab Emirates	7.7	9.7	8.2	9.4	7.4	7.0	6.0
MENA	5.2	5.7	5.5	5.7	5.8	6.3	5.0
GCC	5.9	7.5	7.0	5.6	5.5	7.1	6.0

Consumer Price Inflation (in %)							
	Average				Est.	Proj.	Proj.
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	0.3	2.3	2.6	2.2	3.4	4.5	6.0
Kuwait	1.2	1.3	4.1	3.1	5.5	9.0	7.5
Oman	-0.3	0.7	1.9	3.4	5.9	11.2	9.0
Qatar	2.5	6.8	8.8	11.8	13.8	15.0	13.0
Saudi Arabia	-0.2	0.4	0.6	2.3	4.1	11.5	10.0
United Arab Emirates	3.0	5.0	6.2	9.3	11.1	12.9	10.8
MENA	5.2	7.0	5.9	6.9	9.2	14.4	12.7
GCC	0.6	1.7	2.6	4.3	6.3	11.5	10.0

Official Foreign Reserves (USD billion)							
	Average				*Est.*	*Proj.*	*Proj.*
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	1.4	1.6	1.9	1.0	4.1	5.5	6.5
Kuwait	7.9	7.3	8.1	12.6	15.9	21.1	23.8
Oman	3.1	3.6	4.4	5.0	7.2	10.1	11.8
Qatar	2.0	3.4	4.6	5.4	9.8	13.8	19.6
Saudi Arabia	21.8	27.5	26.8	225.2	305.3	413.5	505.4
United Arab Emirates	15.4	18.7	21.3	28.0	77.9	53.7	58.1
MENA	179.4	247.2	302.6	589.8	830.8	1087.1	1321.0
GCC	51.6	62.1	67.0	277.2	420.1	517.7	625.2

Source: IMF Regional Economic Outlook – Middle East and Central Asia, October 2008

GCC: Fiscal & External Surpluses

DIFC

Fiscal Balance as % of GDP							
	Average				Est.	Proj.	Proj.
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	4	4.6	7.6	4.7	3.4	9.3	6.2
Kuwait	24.2	21.2	34.1	30.7	39.1	31.6	28
Oman	7.5	4.5	12.1	14.2	10.3	12	8.3
Qatar	8.6	16.4	10.8	9.2	12.9	9.8	7
Saudi Arabia	0.9	10	18.4	21	12.3	28.8	22.3
United Arab Emirates	3.6	10.2	20	28.6	30.9	34.6	30
MENA	1.5	3.5	7.1	7.8	7.2	11	8.1
GCC	5.1	11.5	19.5	21.9	18.6	27	21.6

Current Account Balance (as % of GDP)							
	Average				*Est.*	*Proj.*	*Proj.*
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	3.8	4.2	11.0	13.8	16.7	18.0	15.0
Kuwait	24.8	30.6	46.6	52.2	43.1	44.6	39.3
Oman	7.6	2.4	15.2	12.1	8.0	10.1	5.6
Qatar	24.0	22.4	33.2	28.4	29.2	42.9	35.6
Saudi Arabia	10.6	20.8	28.7	27.9	25.1	32.5	23.8
United Arab Emirates	9.9	9.1	18.0	22.6	20.5	22.6	18.8
MENA	7.6	9.4	18.1	19.5	17.2	21.6	16.1
GCC	12.4	18.2	27.9	29.0	25.8	31.6	25.0

Source: IMF Regional Economic Outlook – Middle East and Central Asia, October 2008

Dubai Outlook

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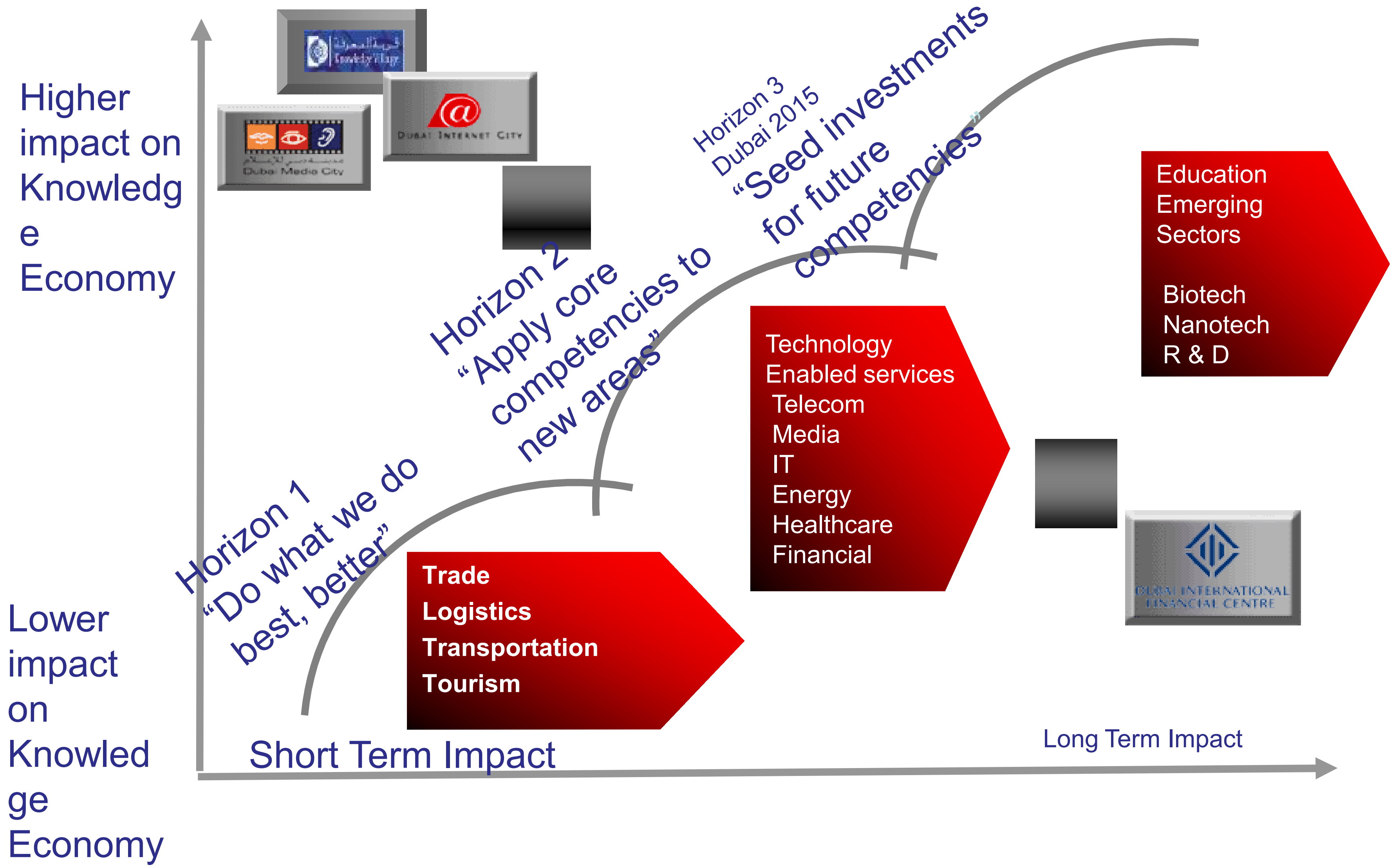
- Dubai is a strategically located international trading hub with some of the world's best air and sea ports serving over 205 destinations.
- Dubai economy is well diversified and continues to grow at a rapid rate
- During 2000-2006, Dubai's GDP grew in real terms by 13% annually while the population expanded by 9% annually, with real per capita income rising by 4%.
- 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 has been the key driver of economic growth with an annual growth rate of 21% since 2000.

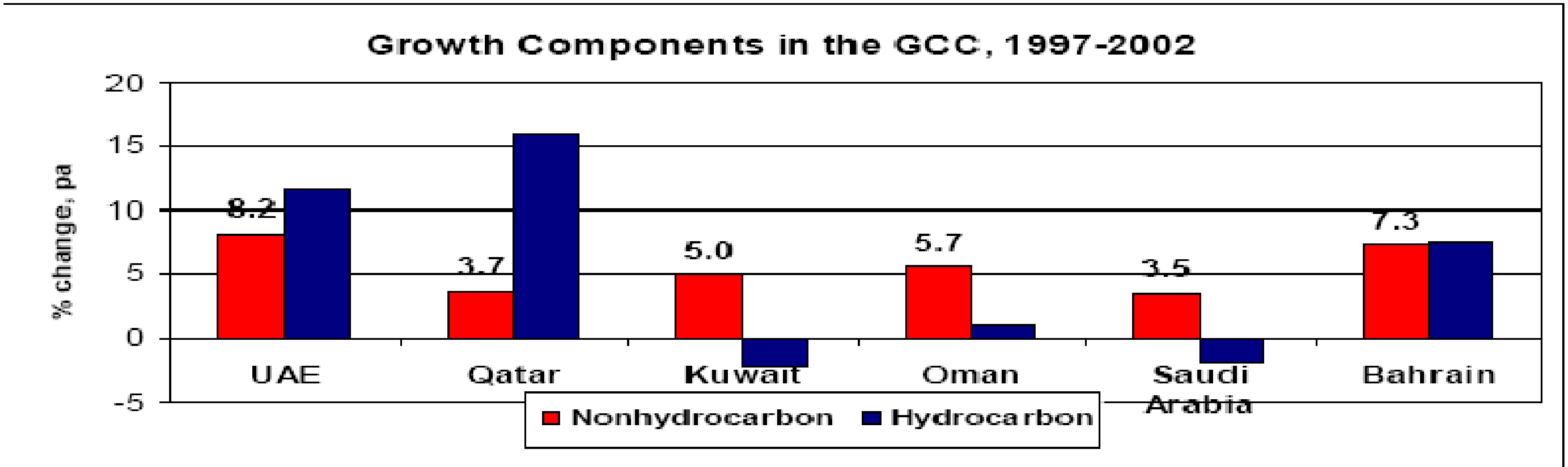
Macro Indicators	2004	2005	2006	2007	1Q08
Population (mil)	1.07	1.32	1.42	1.53	1.55
GDP (mil) US$	32269	38202	45989	n.a	n.a
GDP (non-Oil Sector)	30444	36166	43669	n.a	n.a
GDP (Construction)	3808	4486	5859	n.a	n.a
GDP (Transport & Communicatio	4128	4960	5834	n.a	n.a
GDP(Financial Sector)	3148	3728	4677	n.a	n.a
GDP (Wholesale & Retail Trade)	7319	8525	9861	n.a	n.a
GDP (Manufacturing)	4570	6030	7213	n.a	n.a
Imports (Direct Trade)	40612	51882	59910	81126	26212
Export (Direct Trade)	2628	3059	4975	7376	2862
Re-Export (Direct Trade)	15542	21478	21338	27421	10151
Imports (Free Zone)	18743	27002	30254	42401	12012
Exports & Re-Exports (Free Zone	14329	21452	22512	26554	7242

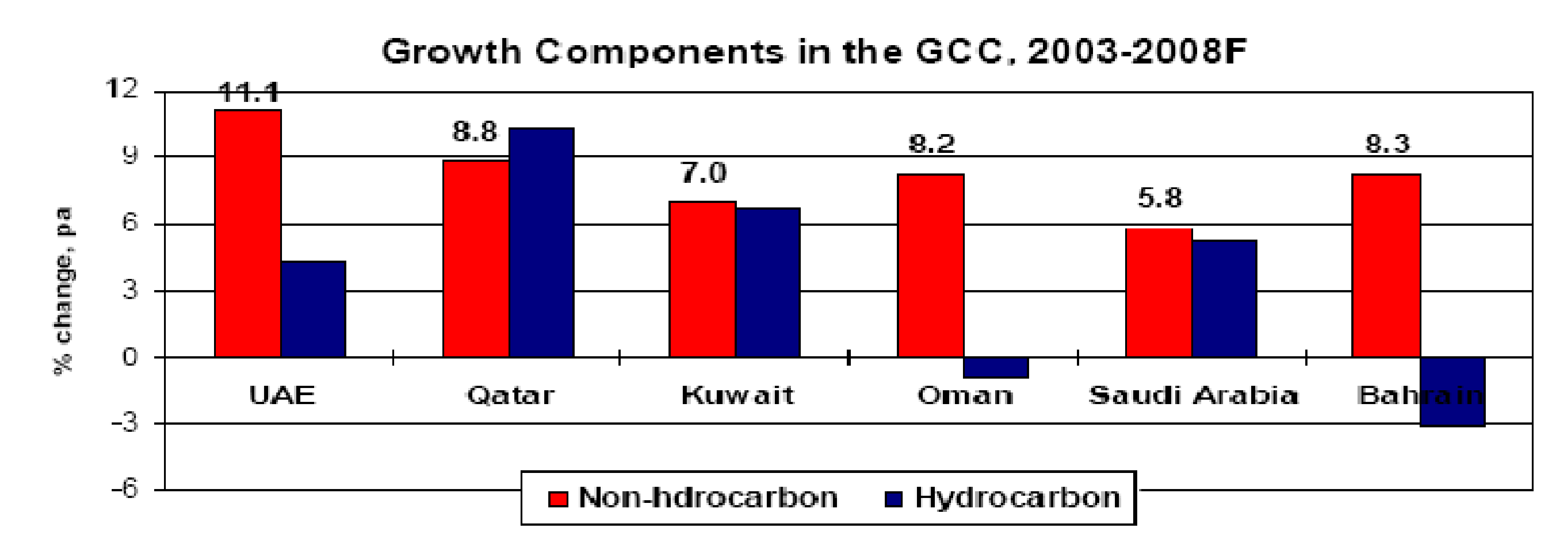
Source: Dubai Statistics Centre

Dubai Strategic Plan (DSP) 2015



GCC: Increasingly Diversified

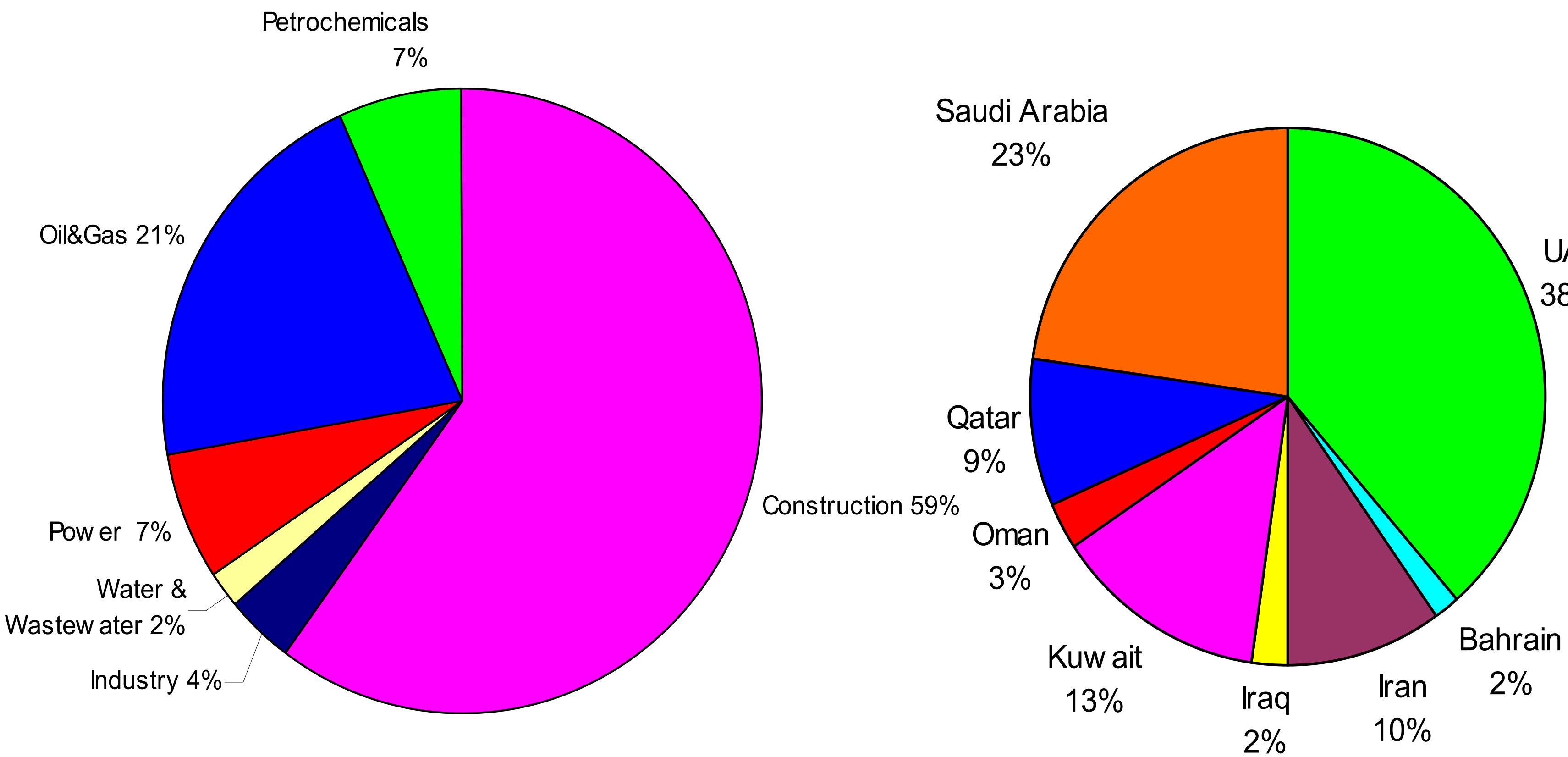




Source: EIU & DIFC Economics

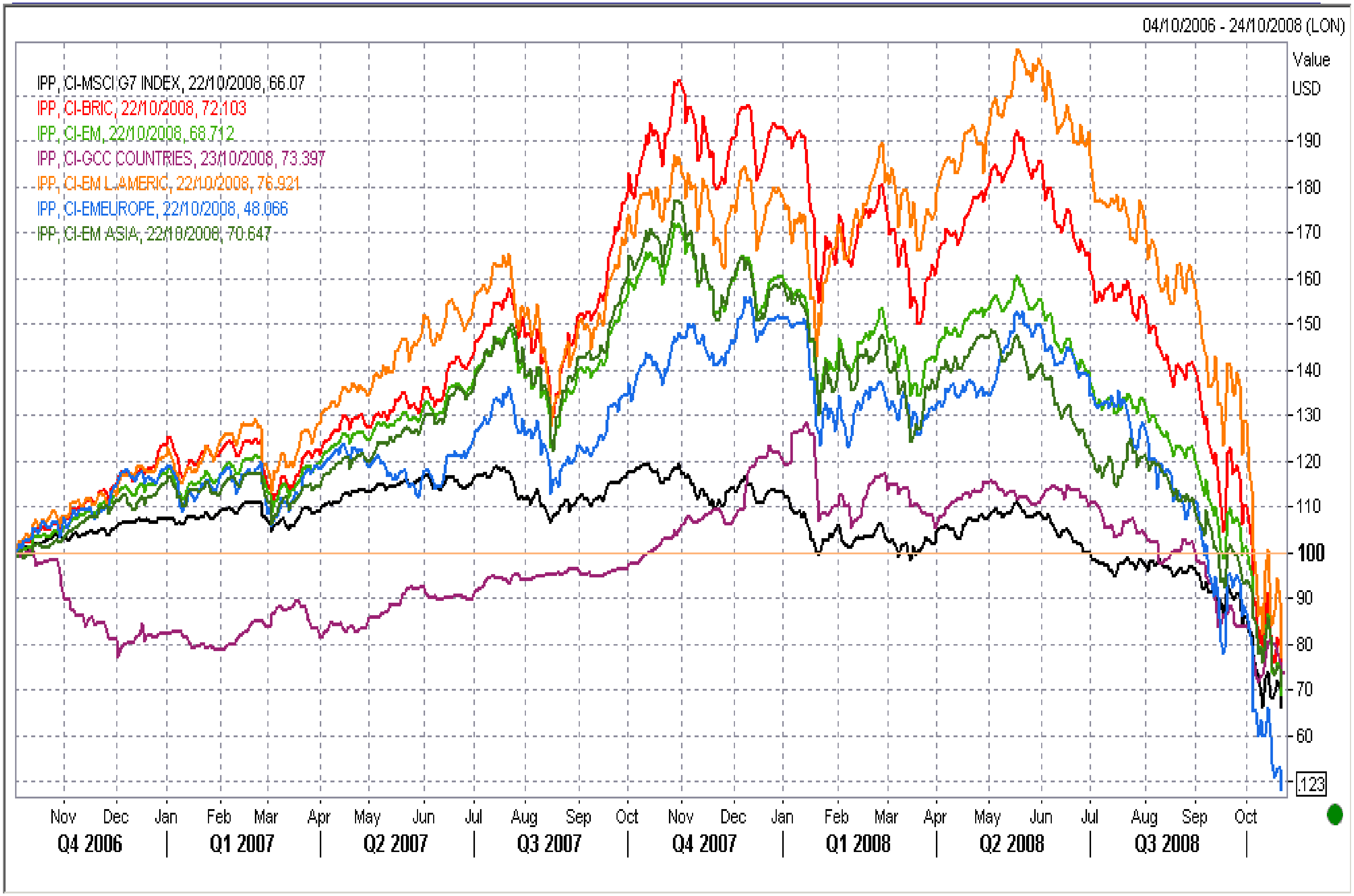
Gulf Projects by Sector & Country

The total value of projects planned or under development in the Gulf exceeds US$2.4 trillion (MEED Project Tracker, 2008)



Source: MEED Project Tracker, 2008

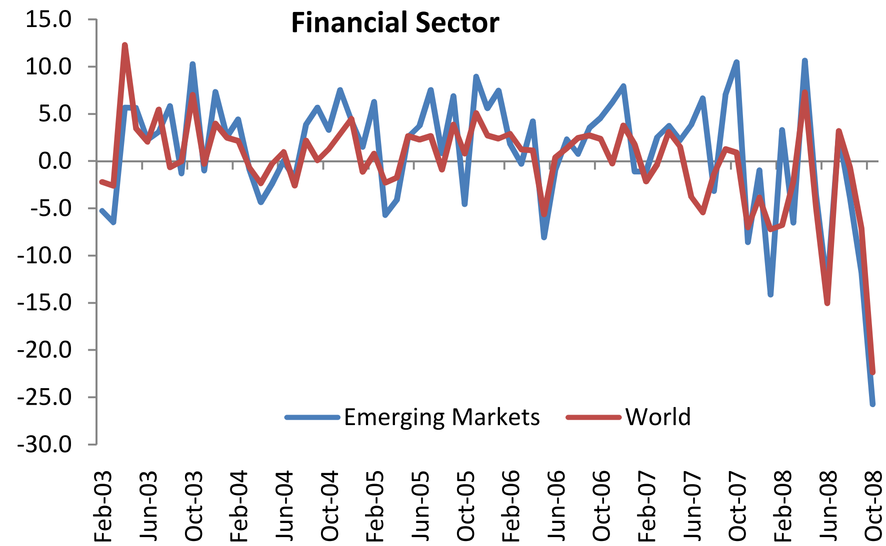
Volatile Equity Markets: G7 & EMEs

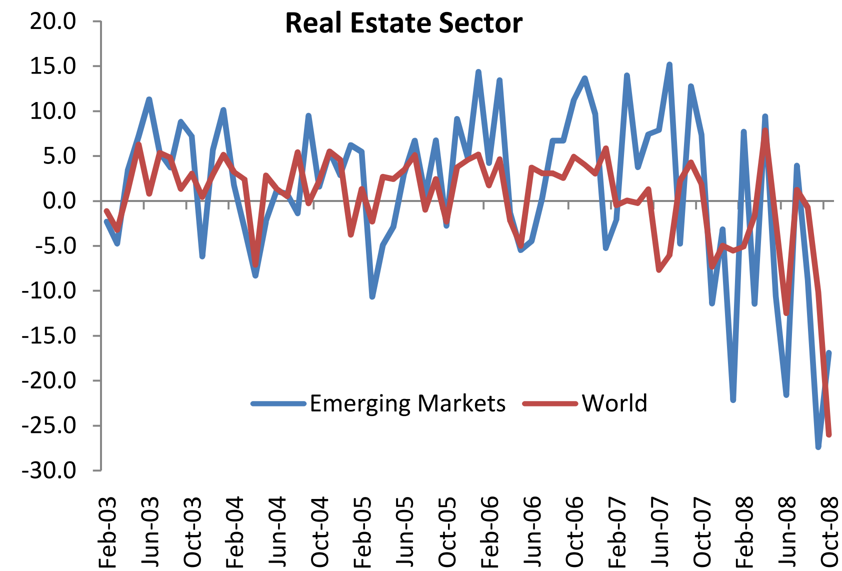


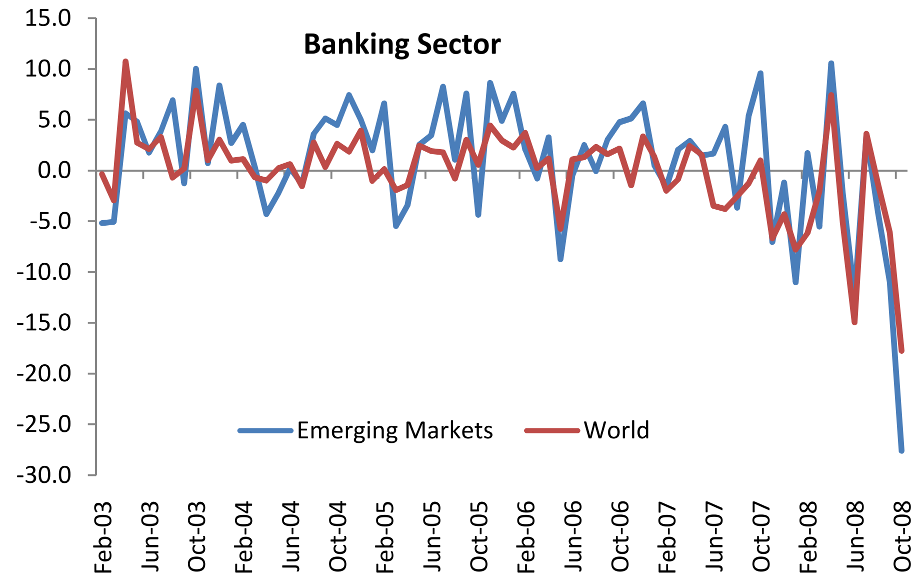
Source: Reuters 3000Xtra, DIFC Economics; Updated Oct 23rd

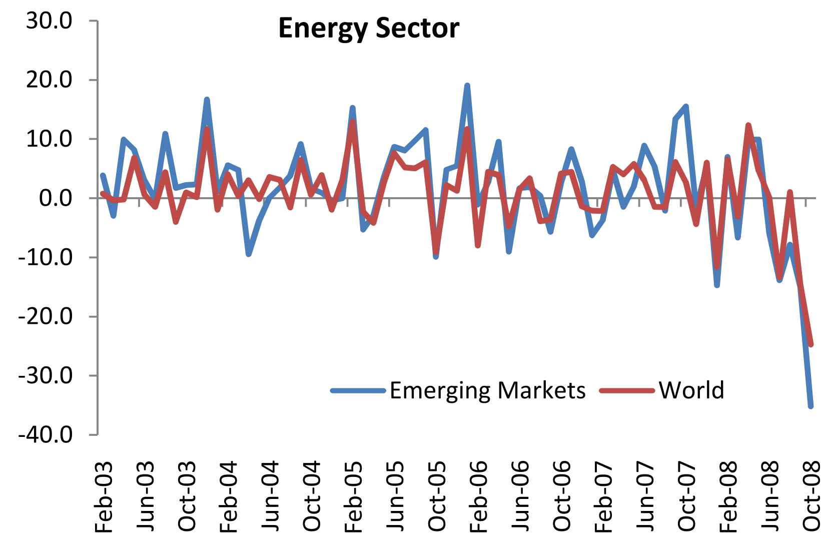
Banking, Financial & Real Estate in crisis mode

DIFC

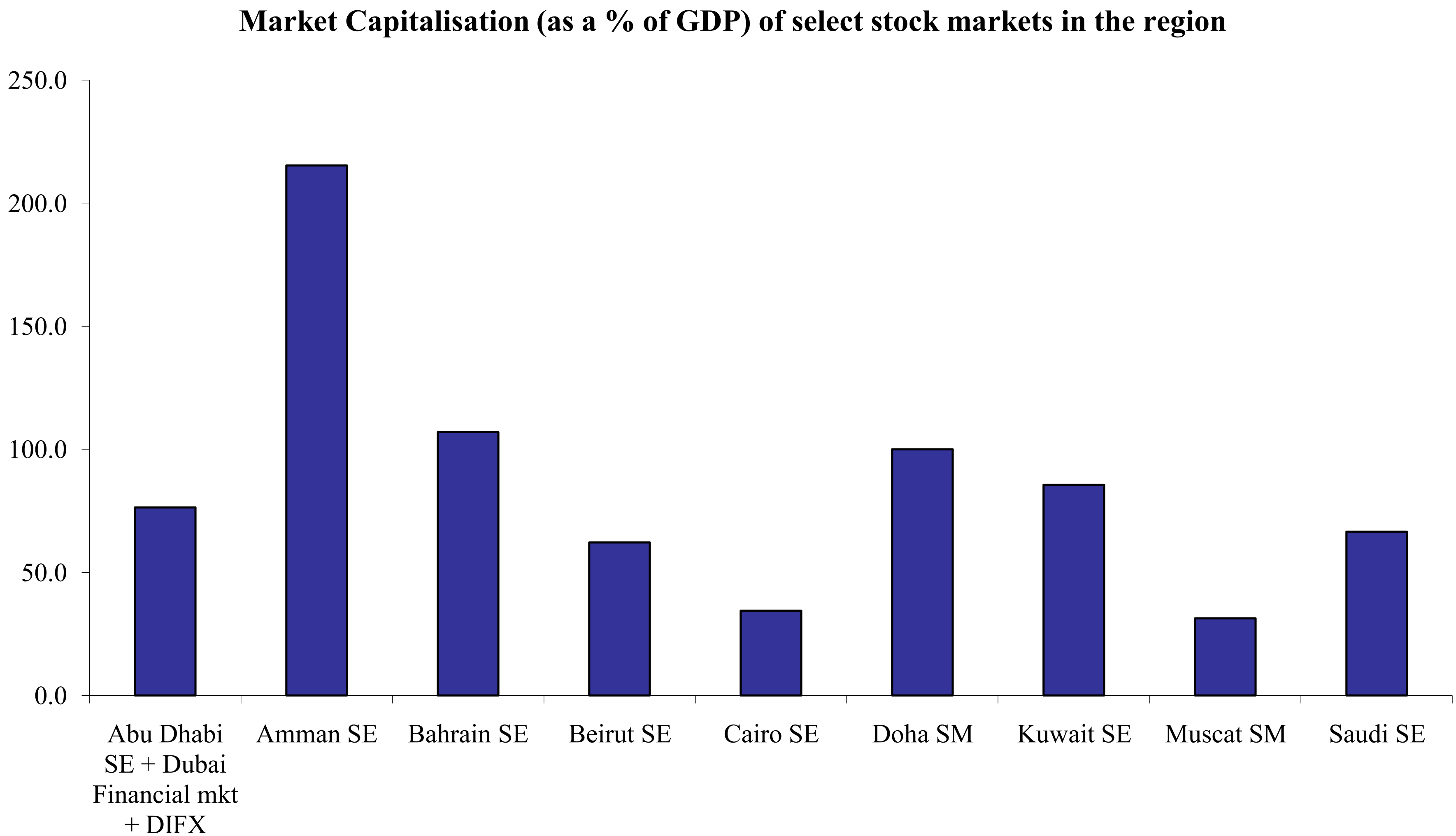








ME, GCC: Emerging Markets

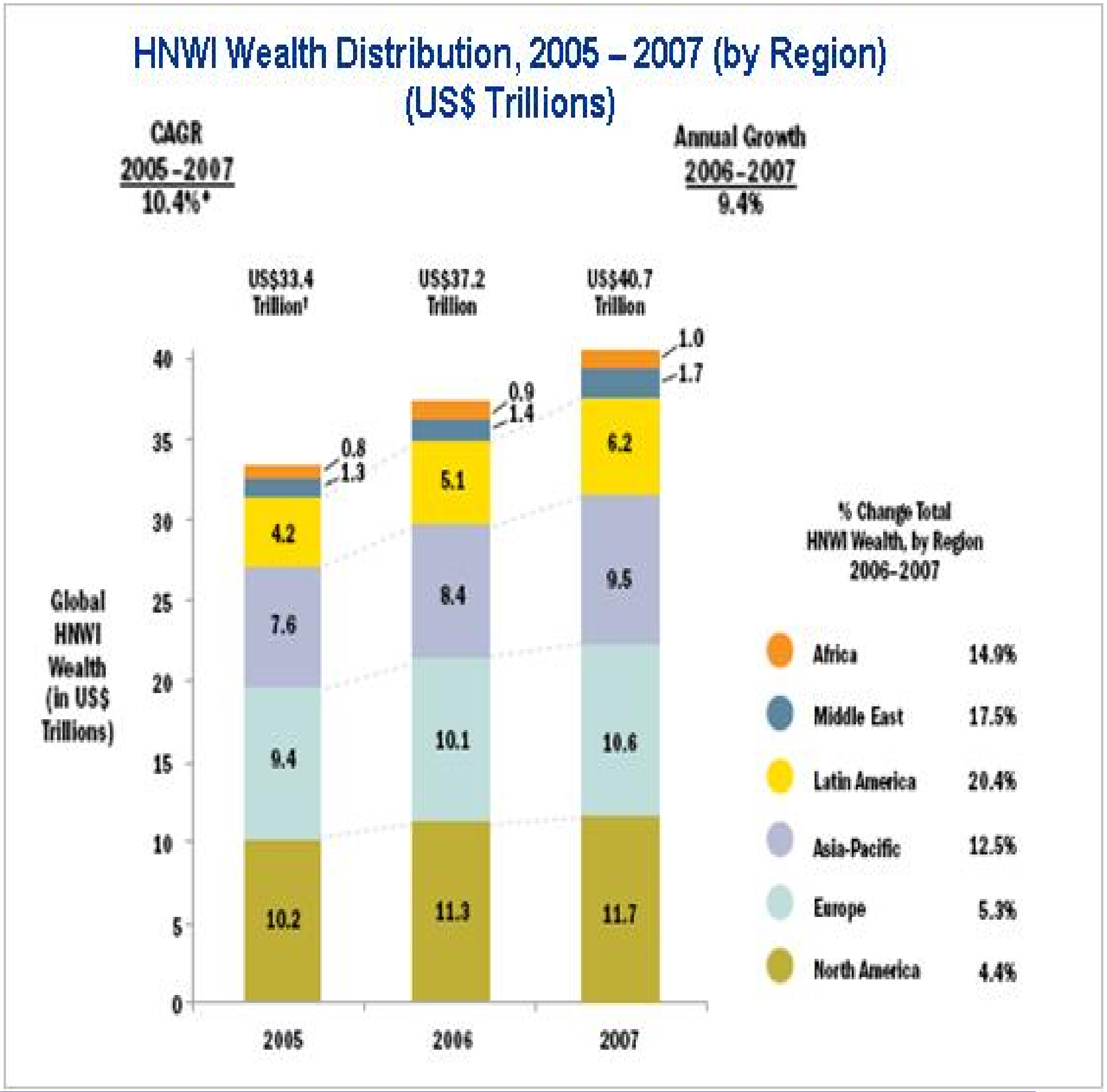


Note: SE = Stock Exchange ; SM = Securities Market ; Source: Zawya

Updated Oct 23rd

Middle East & HNWI

- Global HNWI wealth totaled US$40.7 trillion, a 9.4% gain from 2006, with average HNWI wealth surpassing US$4 million for the first time
- Emerging markets, especially those in the Middle East and Latin America, scored the greatest regional HNWI population gains
- The total assets of Family owned businesses in the GCC has been estimated to exceed US$ 500 billion, while across the Middle East the same approaches US$ 1 trillion.
- HNWI financial wealth is projected to reach US$59.1 trillion by 2012, advancing at an annual growth rate of 7.7%



Source: World Wealth Report, 2008.

Family Business – Global & GCC

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- Family-owned enterprises constitute more than 85% of non-listed companies in the region.
- Even on a global level, family firms make up more than two out of three companies and employ more than 50 per cent of international manpower.
- Entrepreneurial-led Family firms only have an average lifespan of about 24 years ; only 30% survive into the second generation, 10% into the third and a mere 3% into the fourth [1].
- International studies have shown that seven out of ten family businesses fail to make the transition to the second generation. And only one of ten makes it to the third generation. That's a 60 per cent failure rate per generation.
- Greatest fears of family owned enterprises include:

  The next generation will not be prepared for the leadership responsibilities that a successful family enterprise demands

  Family conflicts will arise that threaten harmony and ownership continuity
- Strategic questions to address for family businesses would include:

  what is our family's vision for the business (ready to compete in the free market?)

  how to diversify sources of finance (IPOs, a secondary market?)

[1] *David Pistrui of Acumen Dynamics in MEED magazine.*

Challenges for Family Business Owners

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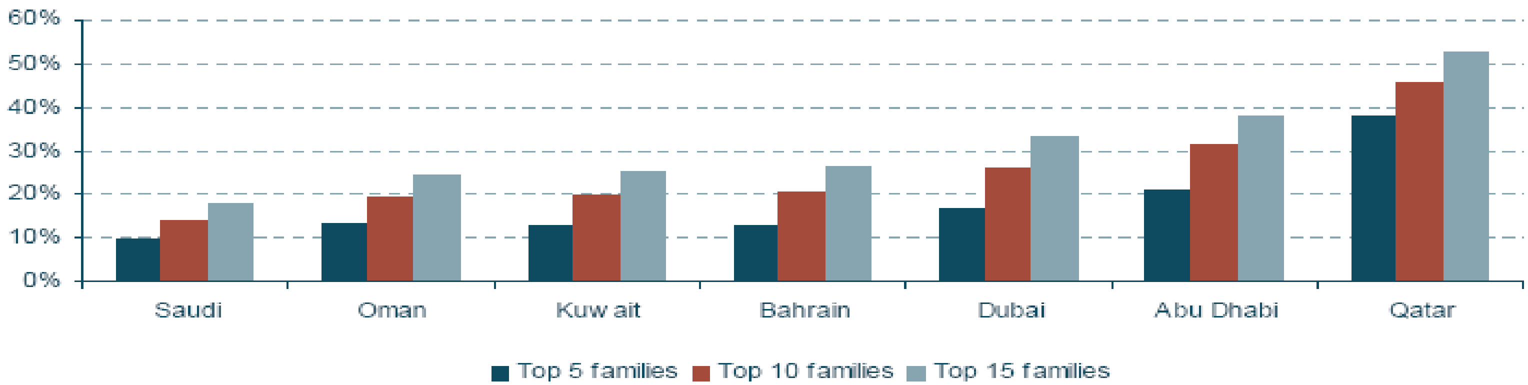
Challenge	**Issues**
Access Capital	➢Finance growth ➢Balance debt/equity
Diversify wealth	➢Manage risk ➢Provide liquidity
Manage succession	➢Appoint competent directors/managers ➢Adjust shareholdings pursuant to inter-generational hand-over ➢Finance share transfers ➢Balance jobs/compensation for family employees with returns to family shareholders

These challenges and issues exist for all closely controlled firms

Source: OECD Analysis

Family Business Power in GCC

Concentration of family influence – Proportion of total Board Seats held by most Influential Families



Sources: Stock market authorities, TNI Investment Research, Company accounts

Multiple family members on the board of the same company, by exchange

Stock Market	Number of companies	% co's with ≥ 2 directors from same family[1]	# of board seats held by same family	Max board seats held by same family[2]	Avg board seats held by same family[3]	Corruption index	Economic freedom index
Abu Dhabi	62	50.0%	4	66.7%	23.1%	5.7	62.8
Bahrain	46	41.3%	6	66.7%	18.9%	5.0	72.2
Dubai	39	28.2%	3	50.0%	22.7%	5.7	62.8
Kuwait	177	32.8%	4	100.0%	25.4%	4.3	68.3
Oman	128	53.1%	5	60.0%	22.7%	4.7	67.4
Qatar	38	76.3%	7	70.0%	30.0%	6.0	62.2
Saudi	94	33.0%	6	75.0%	19.7%	3.4	62.8

Sources: Stock market authorities, TNI Investment Research, Company accounts, Transparency International, Heritage Foundation

Notes:

1/ The % of all companies with 2 or more directors from the same family on the board

2/ This is the company, in that market, with the highest % of board seats held by members of the same family

3/ The average % of a company's board seats held by members of the same family

Source: "Power Matters: A Survey of GCC Boards", TNI Market Insight with Hawkamah and Mudara.

Company Board Size by Exchange

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Statistics about board size by GCC exchange – Board data collected in November 2007

Exchange	Mean	Max	Min	Median	Mode	Number of Co.	Mkt Cap ($b)	Avg Mkt Cap ($m)	First trade
Abu Dhabi	7.7	15	3	7.5	7.0	62	119.4	1,925.8	2000
Bahrain	8.8	15	5	9.0	8.0	46	37.5	815.2	1989
Dubai	6.7	11	3	7.0	7.0	39	93.2	2,389.7	2000
Kuwait	6.2	11	3	6.0	5.0	177	178.8	1,010.2	1983
Oman	7.2	12	3	7.0	7.0	128	18.6	145.3	1988
Qatar	8.5	12	4	8.5	7.0	38	91.7	2,413.2	1997
Saudi	8.4	12	2	9.0	7.0	94	390.7	4,156.4	1984

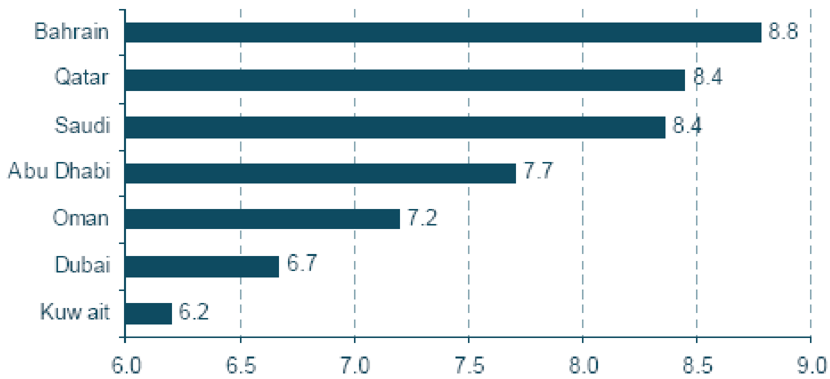
Sources: Stock market authorities, TNI Investment Research, Company accounts, Reuters

Market capitalisations are closing prices at 25 Feb 2008

Source: "Power Matters: A Survey of GCC Boards", TNI Market Insight with Hawkamah and Mudara.

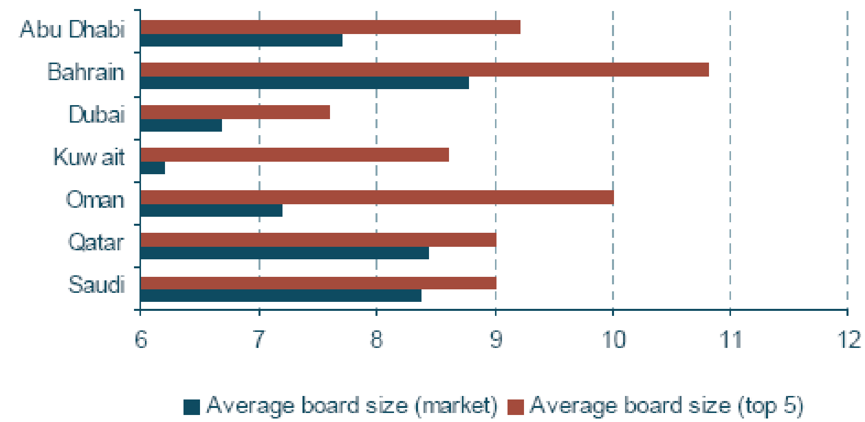
GCC Company Board Size

Average GCC Company Board Size by Exchange



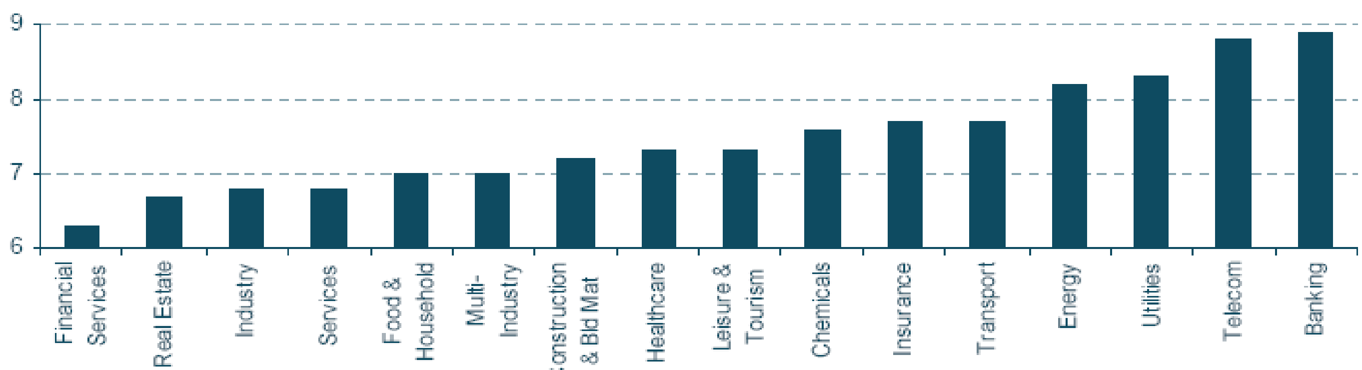
Sources: Stock market authorities, TNI Investment Research, Company accounts

Average Board Size – All companies vs. largest five, by market



Sources: Stock market authorities, TNI Investment Research, Company accounts

Average GCC Company Board Size by Sector



Sources: Stock market authorities, TNI Investment Research, Company accounts

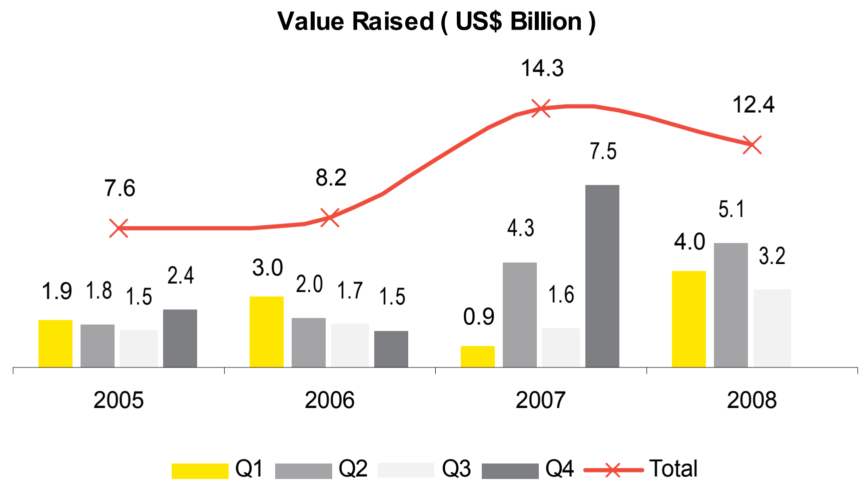
Source: "Power Matters: A Survey of GCC Boards", TNI Market Insight with Hawkamah and Mudara.

Family Business – Bigger Picture

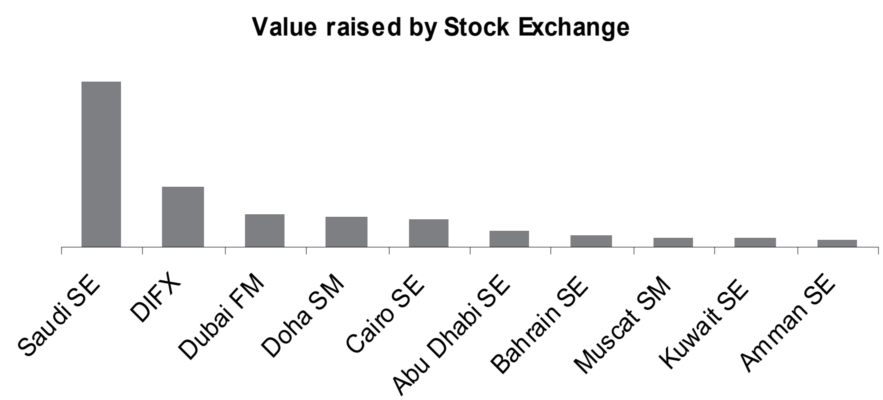
- Why should FB consider EMEs?
  - Steady capital flows into EMEs
  - Attractive valuations and P/E ratios
  - Companies are becoming larger (M&As)
  - Asset managers are moving to local markets
- Private Equity and IPOs (Initial Public Offering) are a good avenue to raise capital and expand family owned enterprises.
- Family businesses in the GCC can tap the private equity source of funding as a first step before considering an IPO in order to ensure right valuation
- A report by Gulf Capital cited the advantages of private equity option:
  - By starting with a single investor, the company and its owners will get used to dealing and sharing the company with others.
  - Improve transparency, reporting, and processes
  - They will learn to share decision-making process and benefit from their viewpoint.
  - The private equity firm will also focus on maximising the financial value of the firm, and thus maximise the benefit of current shareholders if and when the IPO is launched.

Value raised for listed IPOs till Q308

- In spite of a slowdown in the number of IPOs due to the current financial turmoil, activity in the region has been impressive - Six of the top ten IPOs and 14 of the top 20 IPOs by capital raised were from emerging markets.
- Family run businesses in the UAE can now launch an IPO for a minimum of 30% of their share capital (they can keep a majority ownership of 70%). Previous minimum was 55% which meant such companies were reluctant to go for an IPO since they would lose majority ownership.
- In 2007, the regional IPO market reached US$14.3 Billion
- As of Q3 2008, the regional market stands at US$12.4 Billion
- Over the 2005 to 2008 period, majority of the value raised was through the Saudi market, with Dubai FM and DIFX taking second place.



Source : Zawya



Source : Zawya

Q308: Top 20 IPOs by capital raised

Issue date	Issuer name	Domicile nation	Industry description	Proceeds (US$m)	Primary exchange
14/7/08	Saudi Arabian Mining Company	Saudi Arabia	Materials	2467	Riyadh
14/8/08	China South Locomotive & Rolling Stock Corp Ltd	China	Industrials	1565	Hong Kong, Shanghai
30/7/08	BrisConnections	Australia	Industrials	1119	Australian
14/7/08	Starcomms plc	Nigeria	Telecommunications	551	Nigerian
23/7/08	PT Bayan Resources Group	Indonesia	Materials	528	Jakarta
23/7/08	GT Solar International	United States	High technology	500	NASDAQ
03/7/08	SJM Holdings	Macao	Media & entertainment	494	Hong Kong
21/7/08	Caja de Ahorros del Mediterraneo – CAM	Spain	Financials	445	Madrid
21/7/08	Drake & Scull Middle East	United Arab Emirates	Industrials	333	Dubai Financial Market
17/7/08	Alliances Developpement Immobilier SA – ADI	Morocco	Real estate	276	Casablanca

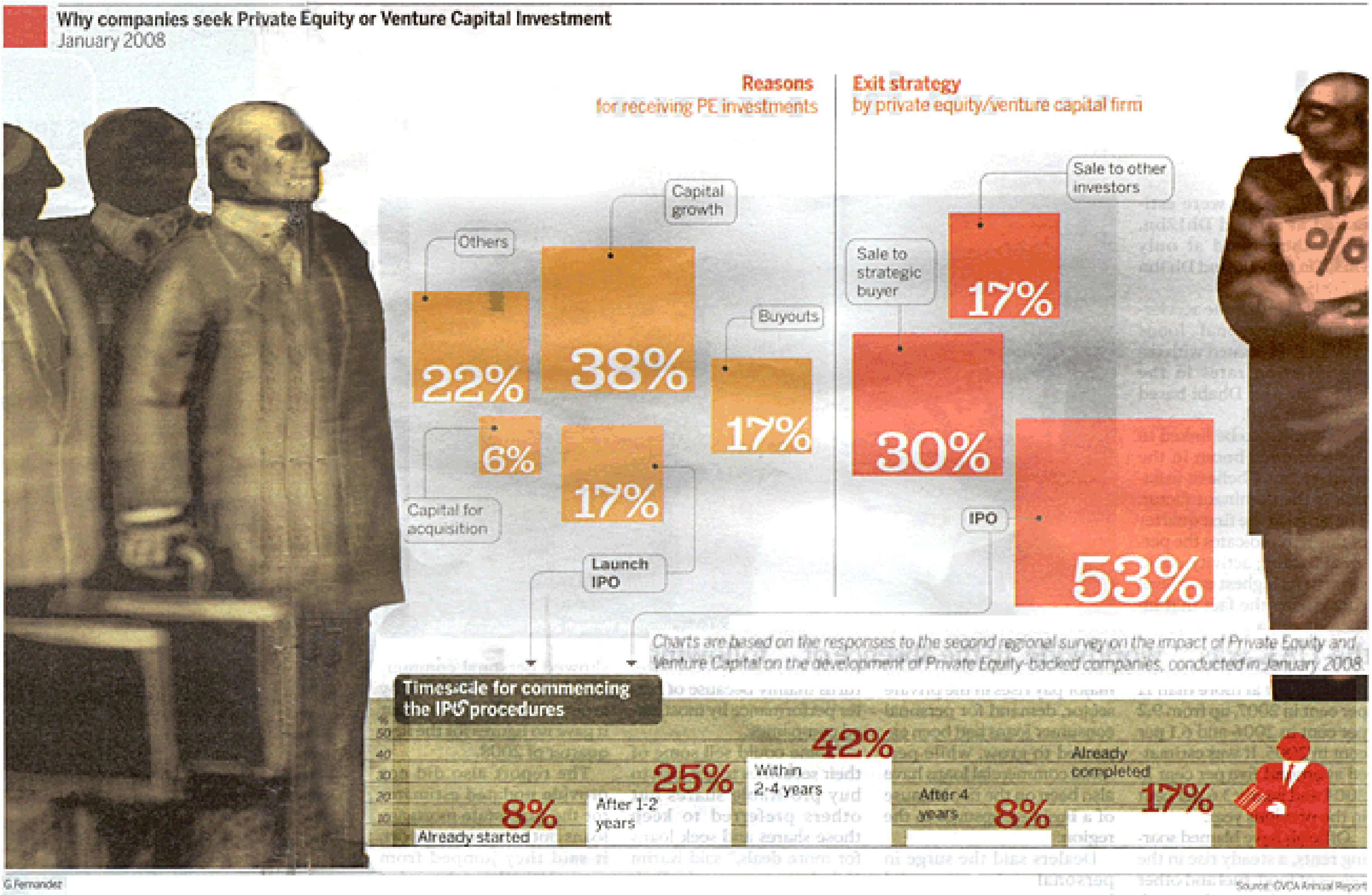
Source: Dealogic, Thomson Financial, Ernst & Young

Q308: Top 20 IPOs by capital raised (cont'd)

Issue date	Issuer name	Domicile nation	Industry description	Proceeds (US$m)	Primary exchange
2/7/08	Damas International	United Arab Emirates	Retail	271	Dubai DIFX
4/7/08	China Shanshui Cement Group Ltd	China	Materials	268	Hong Kong
4/8/08	Astra Industrial Group (Arab Supply and Trading Corporation)	Saudi Arabia	Conglomerate	248	Riyadh
13/8/08	Shanghai Metersbonwe Fashion & Accessories Co Ltd	China	Retail	202	Shenzhen
22/8/08	Methanol Chemicals Co – CHEMANOL	Saudi Arabia	Materials	193	Riyadh
7/8/08	Rackspace Hosting Inc	United States	Consumer products & services	188	NYSE
30/7/08	Shaanxi Provincial Natural Gas Co Ltd	China	Energy & power	155	Shenzhen
11/7/08	LG Innotek Co Ltd	South Korea	High technology	138	Korea
1/7/08	Energy Recovery Inc	United States	Industrials	137	NASDAQ
7/7/08	Daar Communications plc	Nigeria	Telecommunications	119	Nigerian

Source: Dealogic, Thomson Financial, Ernst & Young

Why seek Private Equity?



Family Business & Market Exit

- Recent Ernst & Young Business survey on the state of family business in the ME:
  - Half the regional family businesses surveyed agreed that going public was important to their survival.
  - Only 20% are planning to take their company public while 20% oppose the idea and the remaining 60 per cent are not committed.
  - A majority of family businesses surveyed are run by second generation entrepreneurs (73%) followed by first and third generation.
  - Only 16% feel that there is a well-defined succession, management and ownership transition plan, pointing to a serious gap in the family-owned entities.
- To overcome hurdles
  - Defining appropriate and productive roles and responsibilities for owners, boards, council, managers and other family members
  - Succession Planning to ensure continuity for the Family Business
  - Recruit experienced independent outsiders to take up senior management positions
  - Increased transparency
  - Implement good corporate governance policies

Corporate Governance & Access to Capital

DIFC

"Good" corporate governance is essential for:

- ✓ safeguarding company assets
- ✓ maintaining and enhancing investor confidence
- ✓ reducing the potential of fraud

"Poor" corporate governance companies

- ✓ will find it harder to access external capital
- ✓ will face higher financing costs
- ✓ will see their credit ratings downgraded
- ✓ will have weak investor confidence

Why DIFC?

- Location: bridging Europe Asia 8-hour time zone
- DIFC - a leading Global Financial Centre
- DFSA – Regulatory Authority
- Borse Dubai: DFM / DIFX – Listing
- DIFC Courts – Legal and regulatory counsel
- Hawkamah - Corporate Governance Policies
- Mudara Institute of Directors
- Presence of Wealth Management Section within DIFC, concentrating on Family Offices and Trust Services

Dubai's status as a leading Global Financial Centre

DIFC

City of London's 2008 Global Financial Centre Index

- **Dubai is ranked as the 5th leading centre in the world outside America and Europe**, maintaining its status as the leading financial centre in the region between Zurich at one end and Singapore/Hong Kong at the other.

- **Dubai ranked # 1 again in the list of top 5 financial centres that might become significantly more important over the next two to three years.**

- Dubai ranked # 1 again on the list of financial centres where organisations may open new operations in the next 2 to 3 years.

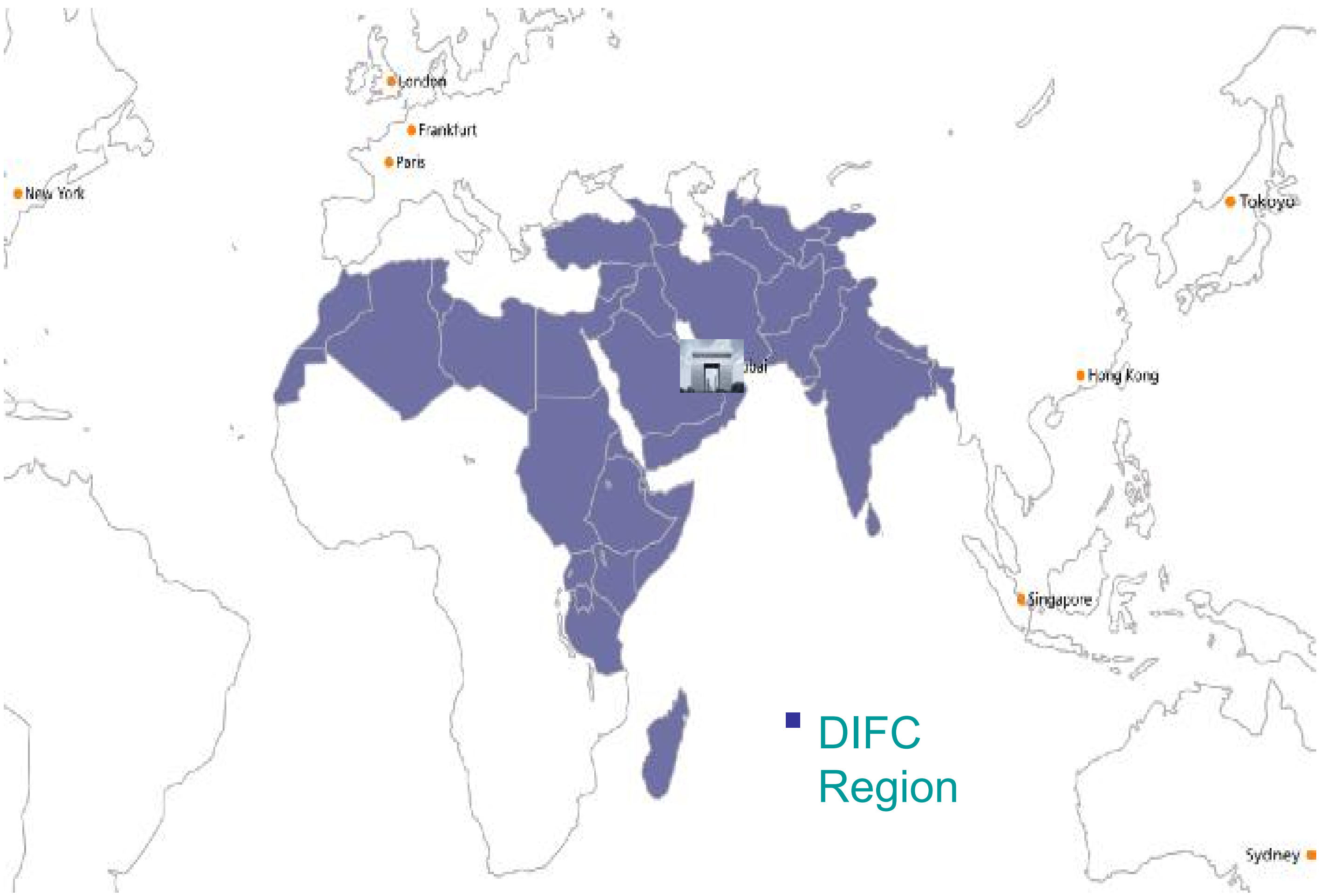
- Dubai (23) continues to lead BRIC (Brazil, Russia, India China) and key 'emerging' centres Shanghai (34), Beijing (47), Mumbai (49), Sao Paulo (52) and Moscow (57).

- Dubai is the clear leader in perceptions of potential growth as a financial centre.

Competitiveness Factors	Rank
Availability of skilled personnel	1
Regulatory environment	2
Access to international financial markets	3
Availability of business infrastructure	4
Access to customers	5
A fair and just business environment	6
Government responsiveness	7
Corporate tax regime	8
Operational costs	9
Access to suppliers of professional services	10
Quality of life	11
Culture & language	12
Quality / availability of commercial property	13
Personal tax regime	14

DIFC: The Region's International Financial Centre

DIFC



- Internationally-accepted common law framework
- A regulated financial centre with full transparency
- Independent Judicial Authority and Court System
- 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.***

DIFC - Hierarchy of Laws

DIFC

Constitutional	UAE Constitution
Federal	UAE Federal Law No.8 of 2004 Federal Decree No.35 of 2004 Cabinet Resolutions
Dubai	Dubai Law No.9 of 2004 Dubai Law No.12 of 2004
DIFC	DIFC Laws DIFC Regulations, DIFC Courts' Rules and DFSA Rules

DIFC Laws

DIFC Law No	*Law/Regulation*
No. 1 of 2008	Arbitration Law
No. 5 of 2007	Strata Title Law
No.4 of 2007	Real Property Law
No.1 of 2007	Data Protection Law
No.4 of 2006	Limited Partnership Law
No.3 of 2006	Companies Law
No.9 of 2005	Personal Property Law
No.10 of 2005	Laws Relating to the Application of DIFC Laws
No.8 of 2005	Law of security
No.7 of 2005	Law of damages and remedies
No.6 of 2005	Implied terms in contracts and unfair terms Law
No.5 of 2005	Law of Obligations
No.4 of 2005	Employment Law
No.11 of 2004	General Partnership Law
No. 10 of 2004	DIFC Court Law
No. 7 of 2004	Insolvency Law
No.6 of 2004	Contract Law
No.5 of 2004	Limited liability partnership Law
No.4 of 2004	Law relating to the application of DIFC Laws
No. 3 of 2004	Application of Civil and Commercial Laws

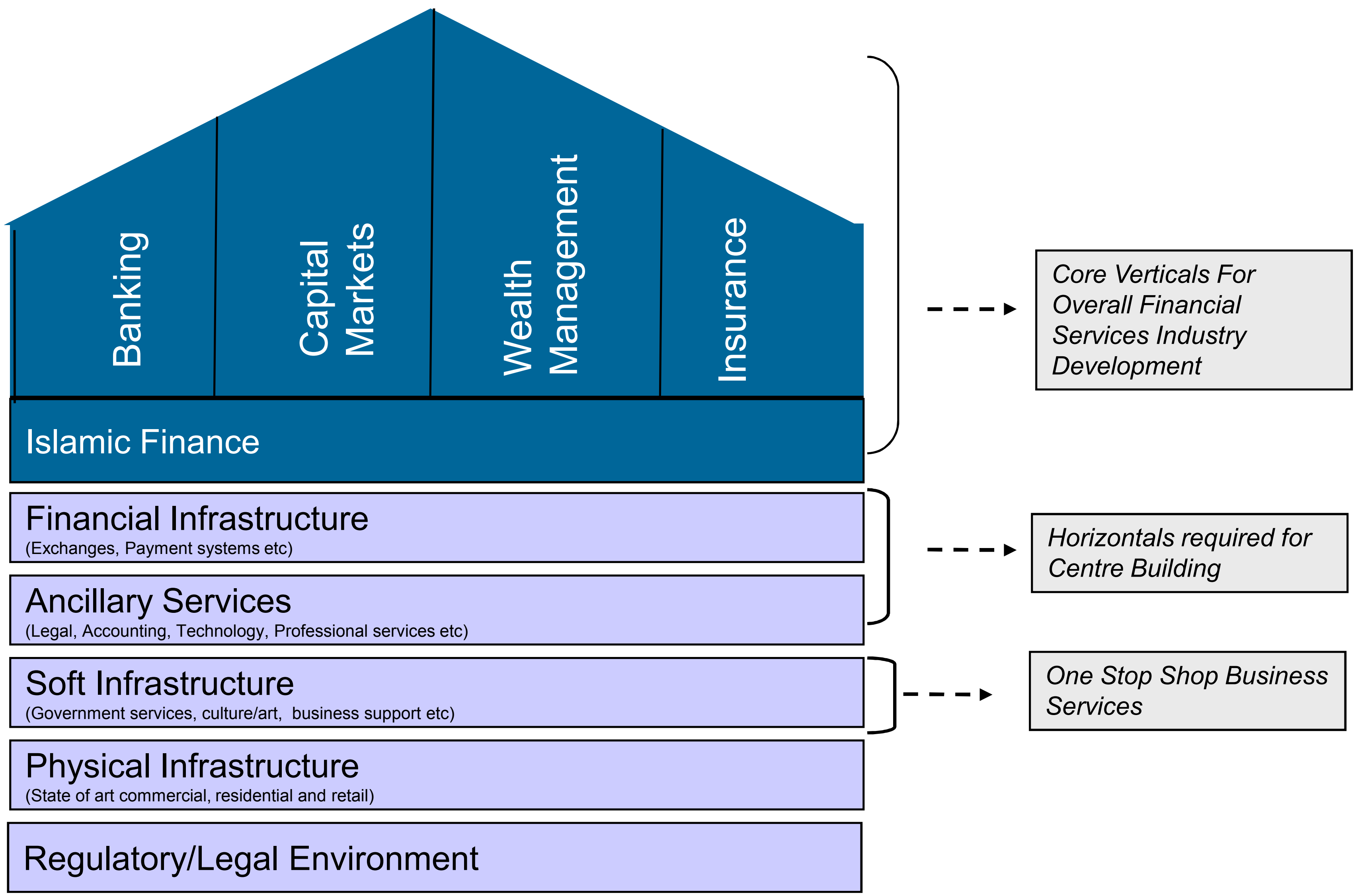
DIFC - Regulatory/Legal Framework

- Develop overall strategy and provide direction to the Centre
- Develop laws and regulations governing non-financial services activities
- Promote DIFC and attract licensees to operate in the Centre
- One stop shop service for visas, work permits etc

- Sole financial regulator within DIFC, AML co-regulation with UAE Central Bank
- Administrative and civil rule making and enforcement
- Bilateral MOUs with host of jurisdictions
- IOSCO (including multilateral MOU), IFSB, IAIS (Technical Committee) etc

- An independent court system responsible for administering and enforcing the civil and commercial matters at the Centre
- Based on Common Law-offering institutions and companies legal clarity and predictability

DIFC - Ecosystem



DIFC - Value Proposition

DIFC

DFSA: World Class Regulations

Clear & Transparent Legislation

DIFC Courts: Independent Judicial System

A dedicated financial services cluster

Borse Dubai & DIFX: Liquid & Transparent International Exchange

Hawkamah Institute for Corporate Governance

Window to a wealth of opportunities

DIFC Education Strategy: Access to Talent

DIFC Resource Centre: Business Support Services

Features of the DFSA

Domestically

- Sole financial regulator within DIFC
- Risk-based regulator
- AML co-operation with UAE Central Bank
- Administrative and civil rule making and enforcement

  (Criminal Enforcement conducted by the UAE)

Internationally

- IOSCO (including multilateral MOU)
- IAIS (Technical Committee)
- Bilateral MoUs
- IFSB
- AAOIFI

DIFC Courts - Overview

- The DIFC has a judicial system independent of the UAE legal framework.
- DIFC Court is the independent tribunal that administers and enforces justice, dealing exclusively with claims arising within the DIFC district. It comprises of:
    - ***Court of Appeal;***
    - ***Court of First Instance and***
    - ***Small Claims Tribunal***
- Overriding objective to deal with cases justly and to help parties settle cases.
- The DIFC court has jurisdiction over civil & commercial matters.
- Eight judges, appointed by the Ruler of Dubai, form the judicial bench of the DIFC Courts from which 6 are based overseas and two resident Judges.
- The Chief Justice presides over all appeals and is responsible for establishing circuits and divisions of the DIFC Courts, its staff and judicial officers.

DIFC Arbitration Centre

- The mission the DIFC Arbitration Centre is to promote more effective resolution of international business disputes through arbitration and mediation worldwide
- The Arbitration Centre operates under a three-tier structure, comprising the Board of Directors, the Secretariat, and the LCIA Arbitration Court.
- The Centre's alternative dispute resolution services, including arbitration and mediation, are **available to all parties** wishing to resolve conflicts out of court**, irrespective of their location.**
- The Arbitration and Mediation rules are a close adaptation of the LCIA Rules, with minor changes to align them with the DIFC LCIA Arbitration Centre's needs.
- The Arbitration Centre's **adherence to international practices** - and the familiarity, efficiency and flexibility this offers - makes it attractive to the international business community.

DIFX: Region's First International Market

DIFC

- A Fully Integrated Securities Market
  - Equity Listings and Offerings
  - Bonds
  - Islamic Products (Sukuks/Funds/REITs)
  - Funds, Indices & Structured Products
  - Warrants
  - REITs & ETFs
- The First full-fledged Derivatives Market in the region
  - Futures
  - Options
- Dual Listings & Transfers
- Multi-currency listings
- Regulatory Requirements in-line with international best practices

Wealth Management (Family Office, Trust Services)

- The Middle East derived the largest share of their wealth from inheritance* - the highest percentage of any region in the world, highlighting the importance of families and family offices to preserve and grow this source of wealth.
- The challenges family businesses face include preserving and growing their wealth, as well as ensuring continuity of their businesses – given issues of globalization, growing numbers of family members in each generation, succession planning and governance.
- The DIFC Family Office initiative helps to overcome these challenges by promoting the Centre as an ideal location and domicile for family offices.
- This also includes highlighting the world class financial services firms located at the DIFC and **raising awareness among legal and accounting practitioners and families regarding the DIFC's legal and regulatory advantages relevant for family offices -** ***<u>the DIFC Trust Law and the Single Family Office Legislation.</u>***
- The DIFC recognizes the **dependence of financial institutions including family offices on support and ancillary services.**
- The DIFC caters through service providers including wealth and asset managers, private bankers, lawyers, accountants, corporate governance experts, succession planning advisors, captive insurers and Islamic finance experts.
- Currently, there are **35 Family Offices registered at the DIFC**.

** According to the World Wealth Report*

Single Family Office Regulations

- Created in consultation with the DFSA, the DIFC Single Family Office (SFO) Regulations specifically address the needs of family-run institutions
- It creates a platform for wealthy families to set up holding companies at DIFC to manage private family wealth and family structures anywhere in the world.
- Central to the new Regulations are changes to the DIFC Single Family Offices (SFO) platform and consequential amendments to other DIFC and DFSA regulations (such as the DFSA's General Module and Glossary Module).
- The Regulations offer distinct benefits to Single Family Offices (SFOs) as they exclude them from many of the regulatory constraints placed on conventional organizations located at DIFC.
- By combining a robust legal and regulatory framework with comprehensive support services, DIFC provides an environment that helps family offices operate successfully.

Corporate Governance - DIFC

DIFC

- The **Hawkamah Institute for Corporate Governance** is an international association of corporate governance practitioners, regulators and institutions whose primary mandate is to develop corporate governance best practices in the Middle East region. By promoting the core values of transparency, accountability, fairness, disclosure and responsibility, Hawkamah assists countries, companies and family offices in the region to develop and implement sound and globally integrated corporate governance frameworks.
- The **Mudara Institute of Directors** is aims to become the region's leading international best practice professional membership organisation for board members and directors. It is an initiative designed to promote excellence at board level and facilitate professional development through education, networking and services to members in the region. Mudara IOD will also offer several courses that address specific needs such as those earmarked exclusively for chairpersons, government entities and family-owned businesses.
- Hawkamah, in association with Mudara and Shoora has created a Family Business Forum to provide second and third generation members of regional business families with an interactive forum to share, analyse and discuss key business and governance issues affecting their businesses.
- This was initiated on the belief that good governance is the key to addressing the challenges faced by family-owned businesses.

Prospects

- GCC bloc emerging as economic and financial hub for MENA region
- **Management & Control of wealth: emergence of a new global financial geography**
- **GCC Monetary Union and Gulf CB**
- **GCC Common Currency** can emerge as 3rd global currency
- **Promote Financial market integration**: linking stock exchanges
- Family Offices can establish presence in DIFC
- Private Equity and IPOs on the DIFC and GCC exchanges

Middle East and the World Economy
Opportunities and Challenges

Thank you

Q & A

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