



Development of DIFC as a Financial Hub

Presentation to the IMF Article IV Mission

22nd October 2009



Agenda

DIFC: The Region's Financial Centre

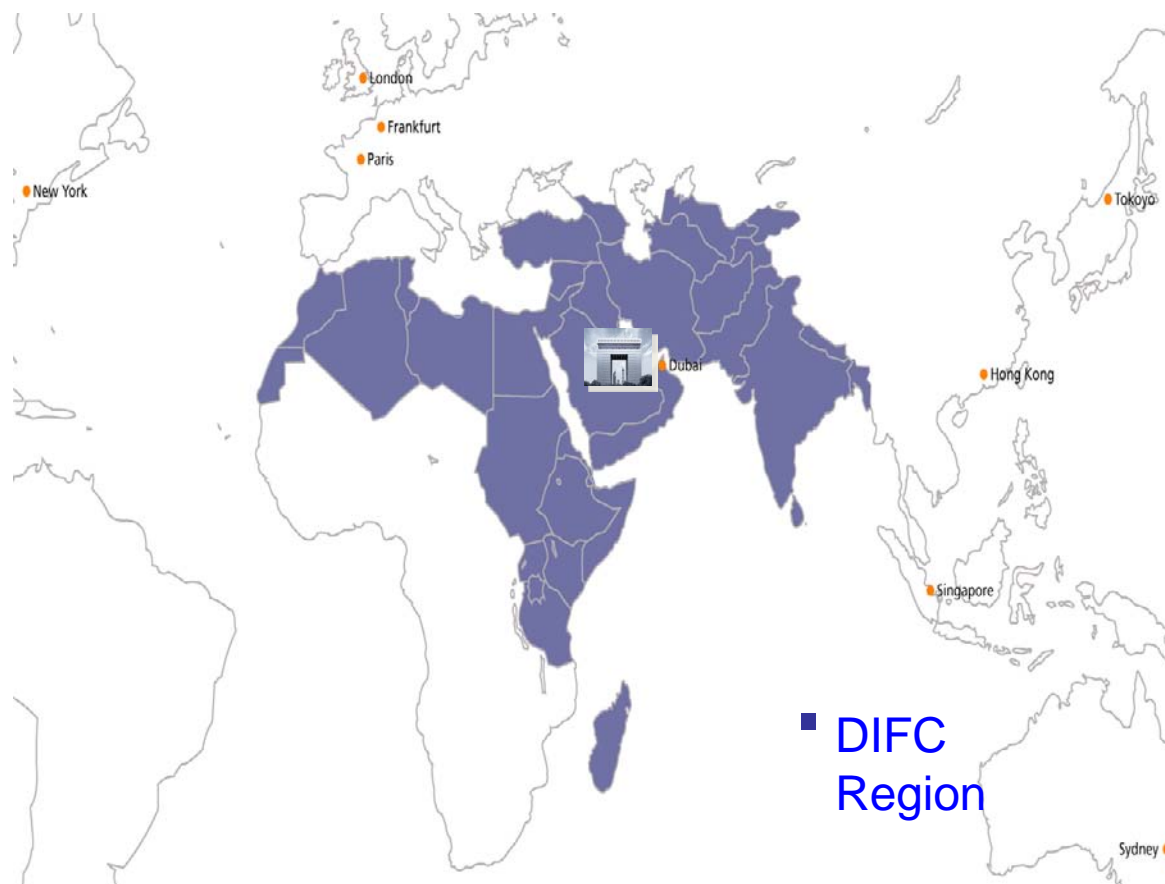
Laws and Regulations

Development of DIFC as a Financial Hub

Financial Market Infrastructure

Other Major Developments

DIFC: The Region's International Financial Centre



- ✓ *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 - Structure

HH Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum
DIFC President

Office of the President of the DIFC
headed by DIFC Governor
(HE Dr. Omar Bin Sulaiman)

Independent Body

Dubai International
Financial Centre Judicial Authority
(DIFC Courts)

Independent Body

Dubai International
Financial Centre Authority
(DIFC Authority)

Independent Body

Dubai Financial Services Authority
(DFSA)

Registrar of Companies
(ROC)

Registrar of Real
Property (RORP)

Registrar of Security
(ROS)

DIFC Investments LLC

DIFC Investments -- Portfolio

----- Reporting
----- Ownership

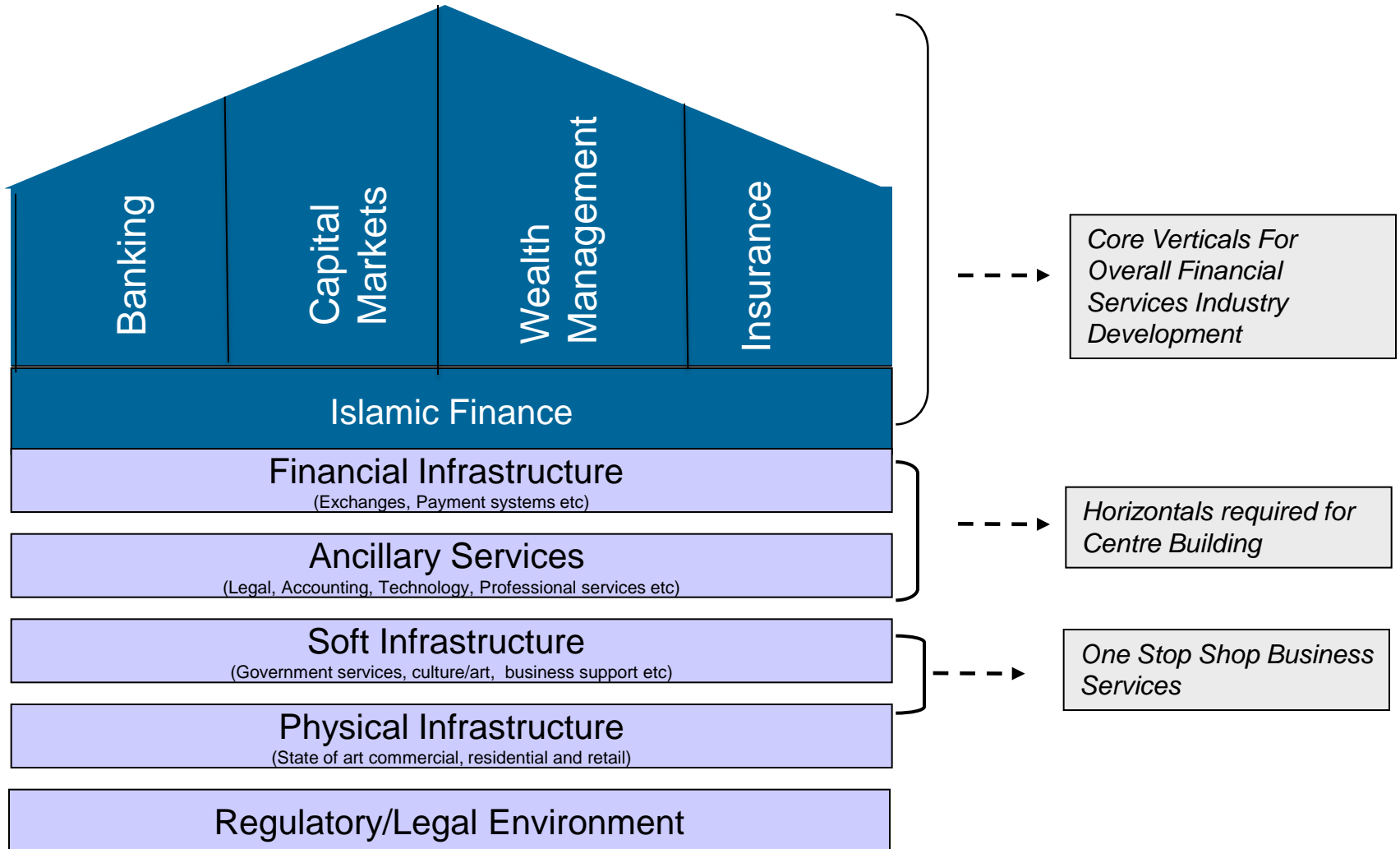
DIFC Structure

- **Over 27 laws & regulations** have been enacted establishing the basis for regulatory framework and allowing financial institutions to carry out activity in the DIFC.
- Tailor-made based on the best laws available in leading jurisdictions (e.g. Regulatory Law based on Common Law, Insurance Regulations based on Bermuda Law, Trust Law similar to Singapore and US regulations)
- DIFC issued a **Data Protection Law**, the first regime in the region to ensure the protection of all personal information.
- **Other laws in the pipeline: intellectual property law, electronic transactions law, statistics law among others.**

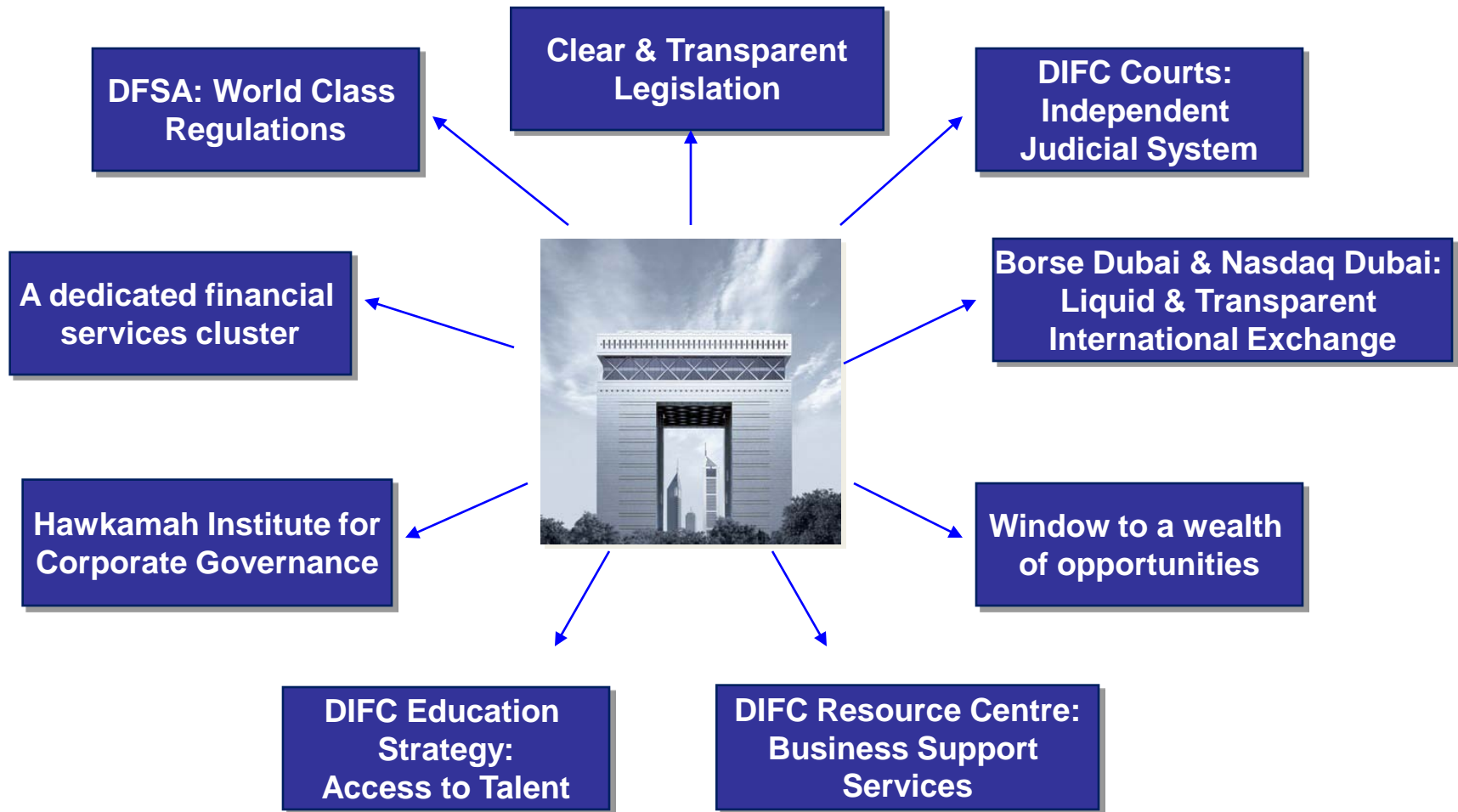


- **Develop overall strategy and provide direction to the Centre**
- **Develop laws and regulations governing non-financial services activities**
- **Promote DIFC and attract licensees to operate in the Centre**
- **One stop shop service for visas, work permits etc**
- **Sole financial regulator within DIFC, AML co-regulation with UAE Central Bank**
- **Administrative and civil rule making and enforcement**
- **Bilateral MOUs with host of jurisdictions**
- **IOSCO, the BOCA Declaration (including multilateral MOUs), 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 the legal clarity and predictability**

DIFC - Ecosystem



DIFC - Value Proposition



DIFC Legal Infrastructure

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. 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	Data Protection Law	✓		
No. 4 of 2007	Real Property Law	✓		
No. 5 of 2007	Strata Title Law	✓		
No. 1 of 2008	Arbitration Law	✓		
No. 1 of 2009	Payment System Settlement Finality Law	✓		

Milestone Laws/Codes

- **Payment System Finality Law:** In November 2008, DIFC issued a consultation paper on a Payment Systems Settlement Finality (PSSF) law for facilitating the creation of a regional transactions processing hub in DIFC for the provision of payment systems and other ancillary services. **The law provided the legal foundation for the launch of 'Real-time Automated Payments in DIFC' (RAPID), a multi-currency payments and clearing system for US Dollar, Euro, and other international currency transactions.** Following the consultation process, the PSSF law was enacted in 2009.
- **Data Protection Law:** DIFC was the first jurisdiction to establish and operate a data protection regime in the region. DIFC's Data Protection Law was developed to **provide a clear legal framework for personal data protection** - a critical issue for banks and financial services firms processing sensitive personal and trade information electronically. The Law safeguards such information without hindering the flow of data.
- **DFSA Hedge Fund Code:** In December 2007, the DFSA issued a Hedge Fund Code of Practice, **the first of its kind to be issued by a regulator.** The initiative, which could serve as a benchmark code for the international hedge fund industry, addresses key operational, management and market-related risks, particularly in the valuation of assets, back office functions and exposure to market risks. The Code addresses some specific risks that are associated with hedge funds and reflects the DFSA's commitment to risk-based regulation.

Milestone Laws/Codes

➤ **Single Family Office:** DIFC introduced the DIFC Single Family Offices (SFO) platform, which was based on amendments to other DIFC and DFSA regulations such as the DFSA's General Module and Glossary Module. The new legal environment created by DIFC encouraged 18 new Single Family Offices to establish at the financial district. DIFC is the **first jurisdiction in the world to recognize a Family Office** and define a Family Office in legal terms.

➤ **Retail Endorsement:** Regulatory amendments made effective on 1 July 2008 made it possible for firms in DIFC to provide financial services to retail customers. Initially, DIFC was established as a wholesale financial services environment in which licensed firms were not allowed to deal with retail customers. The **new rules expand the universe of potential clients for DIFC-based firms**. The funds industry was one of the sectors that benefited from the amended rules. The new rules permitted firms to offer interests in domestic and foreign funds to retail clients.

MOUs signed by the DIFC

✓ **Central Bank of the UAE:** In June 2008, DIFC signed a Memorandum of Understanding (MoU) with the Central Bank of the UAE paving the way for the Central Bank to become the lead regulator for RAPID in DIFC.

✓ **Hong Kong Monetary Authority:** In May 2008, the DIFC Authority signed a MoU with the Hong Kong Monetary Authority (HKMA) aimed at fostering co-operation in the development of Shari'a-compliant financial products and the financial infrastructures between the two jurisdictions. The MoU set out a framework for cooperation, communication and sharing of information between the HKMA and the DIFC Authority to develop the Islamic Finance industry.

✓ **DIFC Courts have signed an MoU with the Dubai Courts.** Under the MoU, judgements with consequences across both jurisdictions will be enforced by both courts. In addition to partnerships with Courts based in the UAE, the DIFC Courts are seeking ways to work more closely with other judiciaries across the UAE and the wider Gulf.

About the DFSA



The DFSA is the independent regulator of financial and ancillary services conducted through the DIFC, a purpose-built financial free-zone in Dubai

- Independence is guaranteed by law
- Integrated regulator covering banking, securities and insurance
- Regulates using a risk-based approach
- Follows international standards of IOSCO, Basel, IAIS and FATF
- Common law framework for Rules and Law enforceable in DIFC Court
- Linked to key world capital market regulators through many bi-lateral Memoranda of Understanding (MoUs) and two multi-lateral MoUs namely IOSCO and The Boca Declaration
- Board and senior executives comprised of internationally experienced regulators from major jurisdictions

The DFSA's Vision and Mission



Vision

- To be an internationally respected regulator and a role model for financial services regulation in the Middle East

Mission

- To develop, administer and enforce world class regulation of financial services within the DIFC

Regulatory Approach

- To be risk-based and to avoid unnecessary regulatory burden

Values

- To expect high standards of ethical conduct and integrity from the DFSA and its people
- To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities
- To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions

The DFSA's Objectives



In performing its functions and exercising its powers, the DFSA:

- pursues **fairness, transparency and efficiency** in the financial services industry in the DIFC
- fosters and maintains **confidence** in the financial services industry in the DIFC
- fosters and maintains the **financial stability** of the financial services industry in the DIFC, including the reduction of systemic risk
- **prevents, detects and restrains conduct that causes or may cause damage to the reputation** of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions and monetary penalties
- **protects direct and indirect users and prospective users** of the financial services industry in the DIFC
- **promotes public understanding of the regulation** of the financial services industry in the DIFC and
- pursue any other objective as the **Ruler** may, from time-to-time, set under DIFC Law

The DFSA's Key Activities



- Rulemaking and policy development
- Drafting financial services legislation
- Licensing, supervision and/or recognition of entities providing Financial Services in the DIFC, including:
 - NASDAQ Dubai - equities exchange
 - DME - commodities derivatives exchange
- Enforcing DFSA administered legislation

Prudential Categories of Authorised Firms



Category 1	Category 2	Category 3	Category 4
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

Decreasing Capital Requirements
and Prudential Risks

Category 5
Islamic Financial Institution

Capital requirements may vary

AML & Anti-Terrorist Financing



- In 2008, the IMF completed and published a detailed assessment report on the AML/CTF regime in the UAE, including the DIFC.
- The IMF noted that “the regime applied to financial institutions operating within the Dubai International Financial Centre tends overall to be relatively close to the FATF standards.”
- The DFSA has taken action in 2008 to further improve its AML/CTF regime based on this report. This includes, but is not limited to directing all DFSA regulated entities to more closely monitor UN Sanctions Lists and ensuring that customer due diligence measures are a continuous process

Progress since FATF Assessment



- **Customer Due Diligence – Requirement to undertake ongoing due diligence**
- **Designated Non-Financial Businesses and Professions – Supervision of trust service providers and ancillary service providers**
- **Suspicious Transactions Reporting – Requirement to report suspicious of terrorist financing**
- **United Nations Security Council Resolutions – Distribution of lists**

Assessed against International Standards



IMF and World Bank Financial Sector Assessment Report November 2007

- The DFSA has established a very impressive set of laws, regulations and rules and policies and procedures for regulation. Its staff is well qualified and work to international best practice standards.”
- The DIFC should not be characterised as an offshore centre but a future regional financial centre.
- The DIFC has well-defined regulatory and supervisory systems that are on par with other regional financial centres such as Singapore and Hong Kong.
- The FSAP involved a detailed assessment of the DFSA’s observance of the objectives and principles of securities regulation developed by IOSCO.
- The DFSA was fully assessed against conformity with 29 separate IOSCO principles.

In 27 cases the DFSA was rated “fully implemented”. The remaining 2 cases were rated “broadly implemented” (the second highest rating) because the relevant Rules are more recent and insufficient time has been available to fully demonstrate a track record of performance. **These two have recently been assessed and can both arguably be seen to be Fully Implemented.**

- DFSA commended for its commitment to act if laws and rules are violated as well as its commitment to information sharing through various Memoranda of Understanding.

MoUs signed by the DFSA



45 Bi-lateral MoUs Signed as of October 2009

1	Australia	Australian Securities and Investments Commission (ASIC)
2	Belgium	Banking, Finance and Insurance Commission (CBFA)
3	China	China Banking Regulatory Commission (CBRC)
4	China	China Securities Regulatory Commission (CRSC)
5	Cyprus	Securities and Exchange Commission (SEC)
6	Dubai	Dubai Police
7	Dubai	Public Prosecution Department
8	Egypt	Capital Markets Authority (CMA)
9	France	Banque de France
10	Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
11	Greece	Hellenic Capital Market Commission (HCMC)
12	Guernsey	Financial Services Commission (FSC)
13	Hong Kong	Securities and Futures Commission (SFC)
14	Iceland	The Financial Supervisory Authority (FME)
15	Ireland	Irish Financial Services Regulatory Authority
16	Isle of Man	Financial Supervision Commission (FSC)
17	Isle of Man	Insurance and Pensions Authority (IPA)
18	Japan	Japan Financial Services Authority (JFSA)
19	Jersey	Financial Services Commission (JFSC)
20	Jordan	Insurance Commission (IC)
21	Jordan	Central Bank of Jordan
22	Korea	Financial Supervisory Commission (FSC)
23	Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)
24	Malaysia	Securities Commission (SC)
25	Malaysia	Bank Negara/the Central Bank

MoU's signed by the DFSA (Contd).

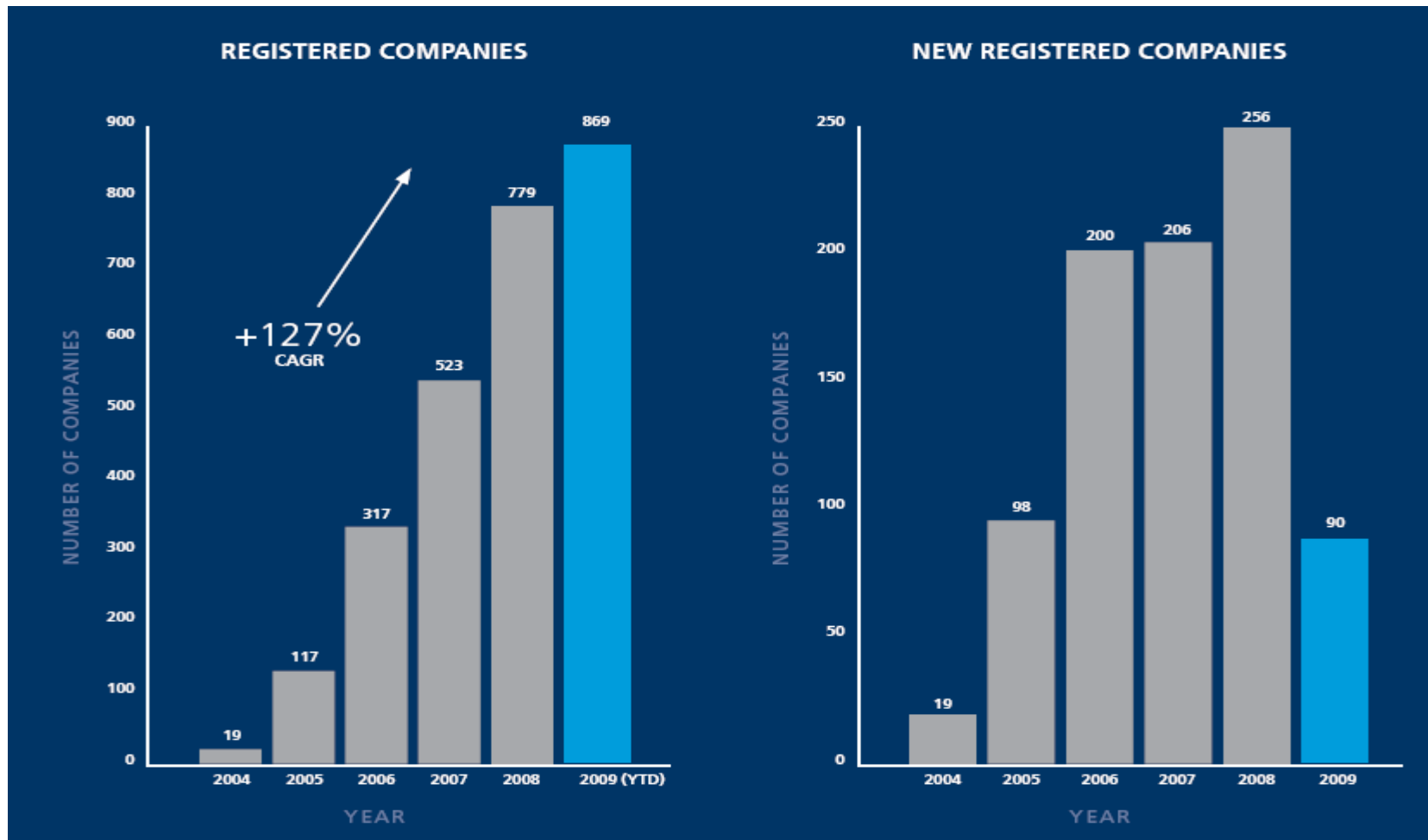


26	Malta	Malta Financial Services Authority
27	Netherlands	Authority for the Financial Markets (AFM)
28	Netherlands	De Nederlandsche Bank (DNB)
29	New Zealand	Securities Commission (SC)
30	Oman	Capital Market Authority (CMA)
31	Singapore	Monetary Authority of Singapore (MAS)
32	South Africa	Financial Services Board (FSB)
33	South Africa	Reserve Bank
34	Switzerland	Swiss Federal Banking Commission (SFBC)
35	Sweden	Finansinspektionen (FI)
36	Thailand	Securities and Exchange Commission (SEC)
37	Taiwan	Financial Supervisory Commission of Chinese Taipei (FSC)
38	Turkey	Capital Markets Board (CMB)
39	Turkey	Banking Regulation and Supervision Board (BDDK)
40	UAE	Emirates Securities and Commodities Authority (ESCA)
41	UAE	Central Bank of the United Arab Emirates (CBUAE)
42	UAE	Anti-Money Laundering Suspicious Cases Unit of the Central Bank (AMLSCU)
43	UK	Financial Services Authority (FSA)
44	United States	Commodity Futures Trading Commission (CFTC)
45	United States	The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS).

2 Multi-lateral MoUs as of October 2009

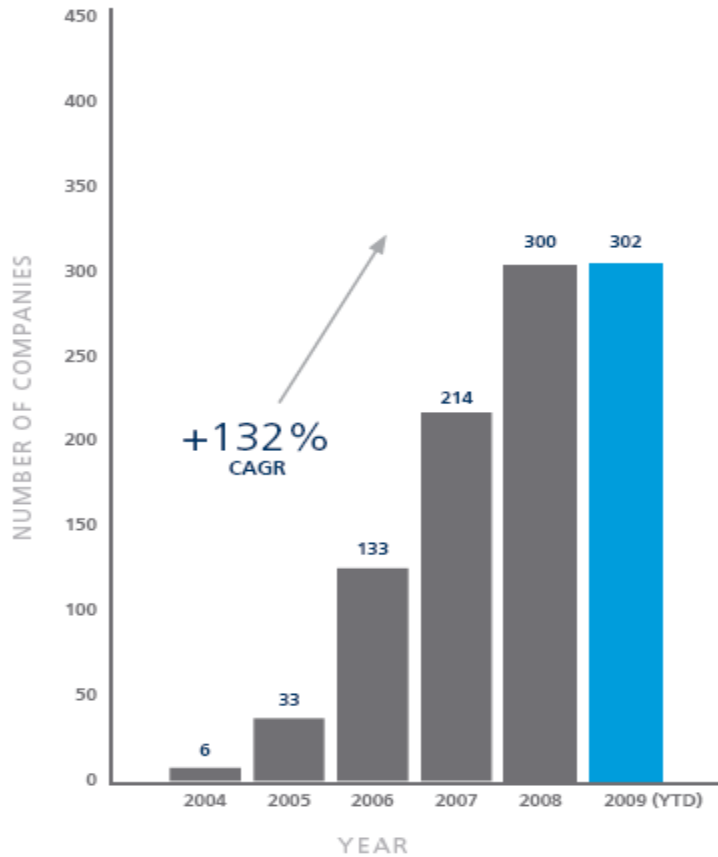
1. IOSCO (International Organisation of Securities Commissions)
2. The BOCA Declaration

Development of DIFC as a Financial Hub

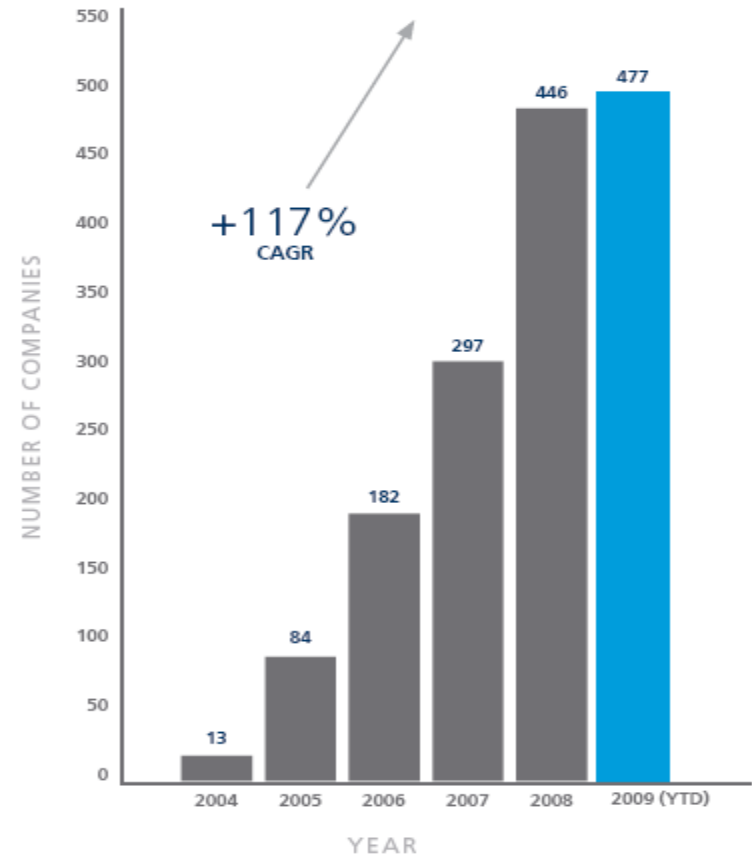


Development of DIFC as a Financial Hub II

REGULATED FIRMS



NON-REGULATED FIRMS



DIFC's Economic Activity Survey: Preliminary Results

DIFC output (GDP) by production approach (US\$)

Economic activity	Count	Gross Output	Intermediate Goods	Gross Value Added
Financial Intermediation	150	1,332,584,252	309,208,669	1,023,375,583
Business Services	63	551,789,869	379,926,636	171,863,233
Holding Companies	23	7,230,710,340	6,127,928,338	1,102,782,002
Retail and Wholesale Trade	5	2,284,802	363,286	1,921,516
Catering	3	2,019,867	1,513,421	506,446
Public Sector	1	42,969,000	10,290,000	32,679,000
Other	54	5,369,469,059	4,738,445,335	631,023,724
GDP	299	14,531,827,189	11,567,675,685	2,964,151,504

Economic Activity Survey: Preliminary Results II

DIFC FDI by economic activities (US\$)

Economic activity	FDI Value
Financial Intermediation	2,599,868,313
Business Services	34,496,852
Holding Companies	8,920,214,524
Retail and Wholesale Trade	268,118
Catering	304,866
Public Sector	0
Other	515,565,281
Total	12,070,717,955

DIFC Workforce

Economic activity	No of employees
Financial Intermediation	3,836
Business Services	947
Holding Companies	140
Retail and Wholesale Trade	40
Catering	55
Public Sector	119
Other	879
Total	6,016

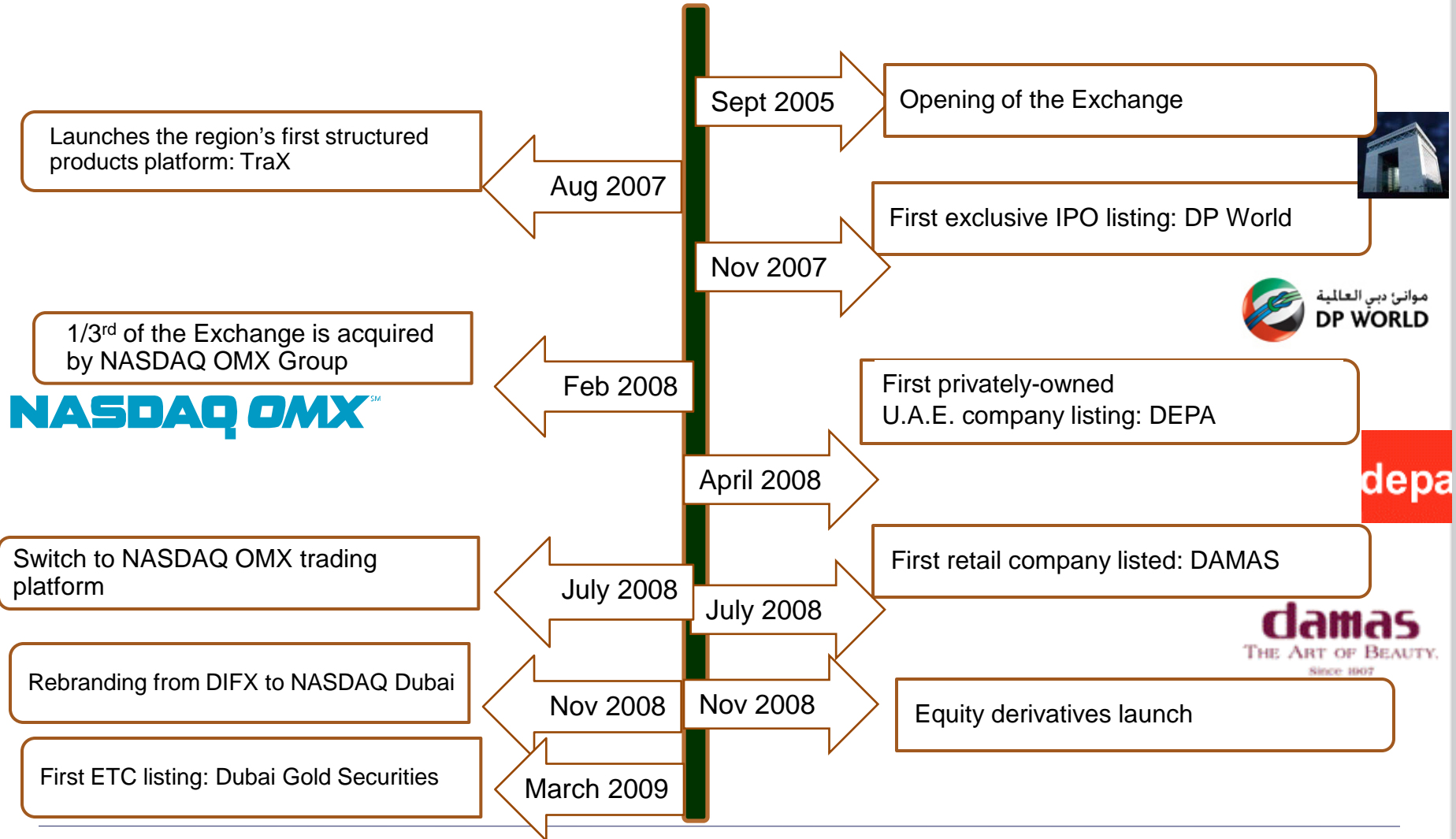
A black and white photograph of a modern building facade. The building features a prominent horizontal structural beam with a grid of windows above it. The facade is composed of large, dark panels. The text "Financial Market Infrastructure" is overlaid in the center in a white serif font.

Financial Market Infrastructure

Nasdaq Dubai: Key Features

- **Location** : Located in the business hub of the Middle East
- **Transparency** : Global standards of regulation in a financial free zone
- **International** : Issuers from 5 different continents
- **Exposure** : Worldwide coverage
- **Valuation** : Markets determine value of the company
- **Liquidity** : Bridging international investment and local retail liquidity
- **Product Choice** : Equities, Structured Products, Equity Derivatives, Bonds/ Sukuk, ETFs* and REITs.
- Dual Listings & Transfers
- Regulatory Requirements in-line with international best practices

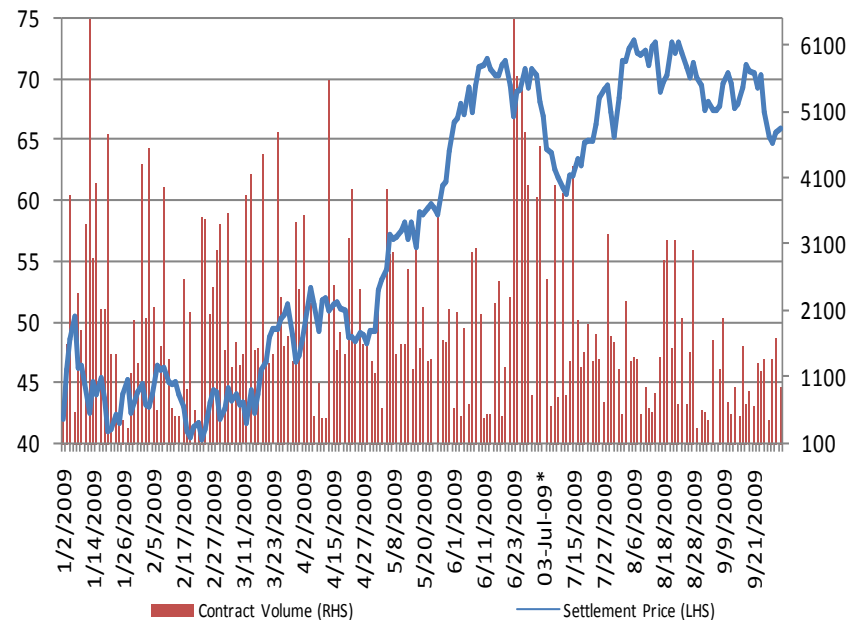
Nasdaq Dubai: Milestones



Dubai Mercantile Exchange

- The Dubai Mercantile Exchange was launched on 1st June 2007. It is a joint venture between the Dubai Government, New York Mercantile Exchange and Oman Investment Fund.
- The Oman Crude Oil Futures Contract developed by the DIFC-based Dubai Mercantile Exchange is the largest physically delivered crude oil futures contract in the world.
- Oman's Ministry of Oil and Gas adopted the DME Daily Settlements as the basis for their Official Selling Price and also initiated forward pricing of Oman's crude oil.
- On 23 June 2009, shortly after the DME's second anniversary, the Dubai Department of Petroleum Affairs announced that it would set the official monthly selling price for the Emirate's crude oil based on a differential to the settlement price of the DME Oman Crude Oil Futures Contract.

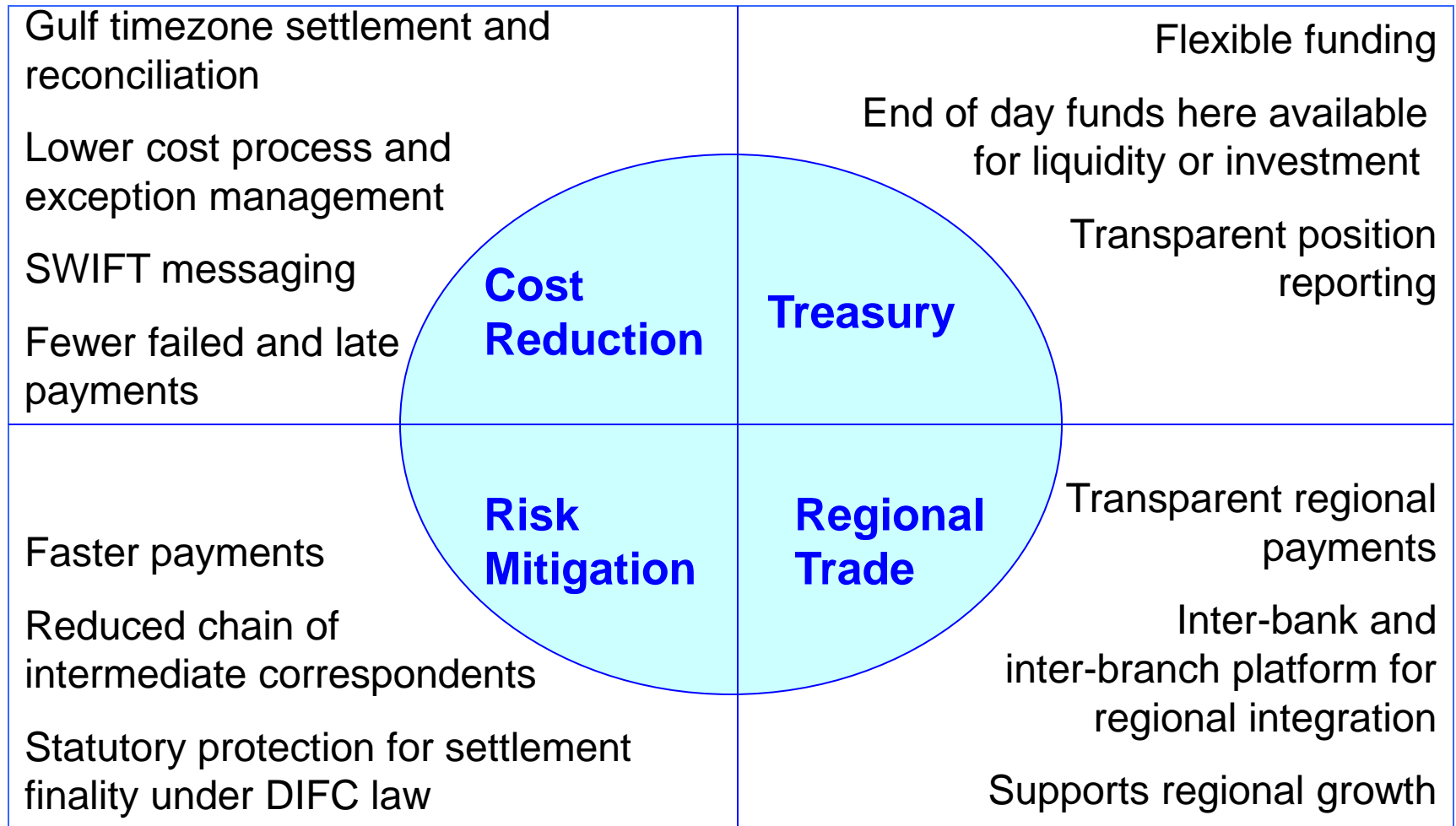
Dubai Mercantile Exchange Oil Futures Contract: Price & Volume



Why Real-time Automated Payments in DIFC (RAPID)?

- Legal certainty
 - ✓ Situs of accounts and payments
 - ✓ Irrevocable settlement finality
- Risk mitigation
 - ✓ Speed
 - ✓ Transparency
 - ✓ Liquidity
- Efficiency
 - ✓ Lower end-to-end costs
 - ✓ Straight-through-processing

RAPID Value



RAPID : A Few Facts

- **RAPID will initially settle payments in USD and EUR**, but may expand in future years to further currencies and payment services.
- Implemented in RAPID, Real-time Gross Settlement (RTGS) eliminates the risk that a payment will be unfunded, invalidated or unwound in the event of a bank experiencing operational or liquidity difficulties or insolvency.
- **Participation in RAPID is open to any regional bank** meeting the RAPID participation requirements as provided in the RAPID Rules.
- **Risk management** for payments in the Gulf region will be significantly improved through RAPID settlements. **Key RAPID features contributing to risk reduction** include:
 - ✓ Shorter interbank exposure during settlement
 - ✓ Irrevocable settlement finality under the DIFC Payment Systems Settlement Finality Law
 - ✓ Improved transparency of liquidity and payment status via real-time browser interface
 - ✓ Configurable priorities for high priority payments
 - ✓ Same day exceptions management and reconciliations

RAPID: Operations

- RAPID has signed MOU's with HSBC and Standard Chartered Bank to act as Settlement Institutions.
- The operating platform for RAPID settlements is provided by Logica, using its Central Account System (CAS), a tried and tested solution operating many RTGS payment systems worldwide.
- Payment instructions will be received securely as SWIFT FIN standard message types through a SWIFTNet Market Infrastructure Closed User Group (MICUG) using the FIN Y-Copy architecture.
- All sending and receiving bank participants in RAPID are required to apply appropriate sanctions filters to payments in compliance with anti-money laundering and counter-terrorism finance obligations under the RAPID Rules. In addition, the RAPID System will operate core filters to ensure payments are eligible for settlement.



Other Initiatives

Hawkamah: Enhancing Industry Standards

As a regional institute, Hawkamah was created to:

- Bridge the Corporate Governance gap
- Assist the ***countries*** and ***companies*** of the region in developing sound, 'home grown' and globally well integrated CG frameworks:
 - Coordinate and sequence the designing, and implementation of CG reforms
 - Monitor the outcomes of CG policies at the public and private sector level.
- *“Hawkamah-ICG will serve as a platform for regional co-operation, based on a concrete agenda for measurable and time-bound action, aiming to raise awareness of national, regional and global initiatives and build a coalition for reform”*, Joint Declaration OECD-UAE, 2005.

Hawkamah Regional Task Forces

To build momentum for corporate governance reform in the region

- ❖ **Corporate Governance of Banks** (implement the policy recommendations from the policy brief)
- ❖ **Corporate Governance of State-owned Enterprises** (assess state of corporate governance of state-owned enterprises and build momentum for SOE CG agenda)
- ❖ **Insolvency and creditor rights** (assess insolvency regimes in the region with the aim towards modernization)
- ❖ **Corporate Governance for Insurance** (develop a policy brief for increased corporate governance implementation in the industry)
- ❖ **Corporate Governance of Shari'a Compliant Institutions** (work with Islamic financial institutions to implement good corporate governance standards in their institutions)
- ❖ **Corporate Governance for Private Equity** (develop regional corporate governance standards for the private equity industry and target companies, most of which are non-listed companies)

DIFCSTAT : Building Statistical Capacity

DIFC launched a new client portal for the submission of company data on 01 June 2009

Called DIFCSTAT, the secure, interactive online platform

- ✓ Significantly reduces the cost of doing business and burden of compliance and reporting
- ✓ Ensures the accuracy of data and compliance standards
- ✓ Provides DIFC-registered companies with direct access to their current and historical information, and
- ✓ Facilitates companies' reporting on data protection licenses and renewal, and anti-money laundering registration and compliance.

Talent Development: Centre of Excellence

The DIFC Centre of Excellence, which launched in 2007, created a wide portfolio of globally top-ranked executive education and development programmes.

- ✓ Programmes offered at the DIFC Centre of Excellence cover core business areas like finance, law, strategy, human resources, marketing and entrepreneurship, as well as specialised fields relevant to the region such as Islamic Finance and Energy.
- ✓ Since its launch, the DIFC Centre of Excellence has partnered with a number of the world's leading educational institutions and prestigious business schools including:
 - **London Business School**
 - **Cass Business School**
 - **Duke University**
 - **Queen's School of Business**
 - **Schulich Executive Education Centre**
 - **SOAS - Centre for Financial and Management Studies**
 - **The Law Society of England & Wales**
 - **Securities & Investment Institute**
 - **International Compliance Association**
 - **IBA - International Bar Association**

Other Recent Initiatives

- ✓ White Paper on Debt Market Development
- ✓ DIFC-MIGA Initiative
- ✓ Listing of IFC Sukuk on Nasdaq Dubai
- ✓ DFSA EPRS



Thank You!