



Unlocking the Middle East

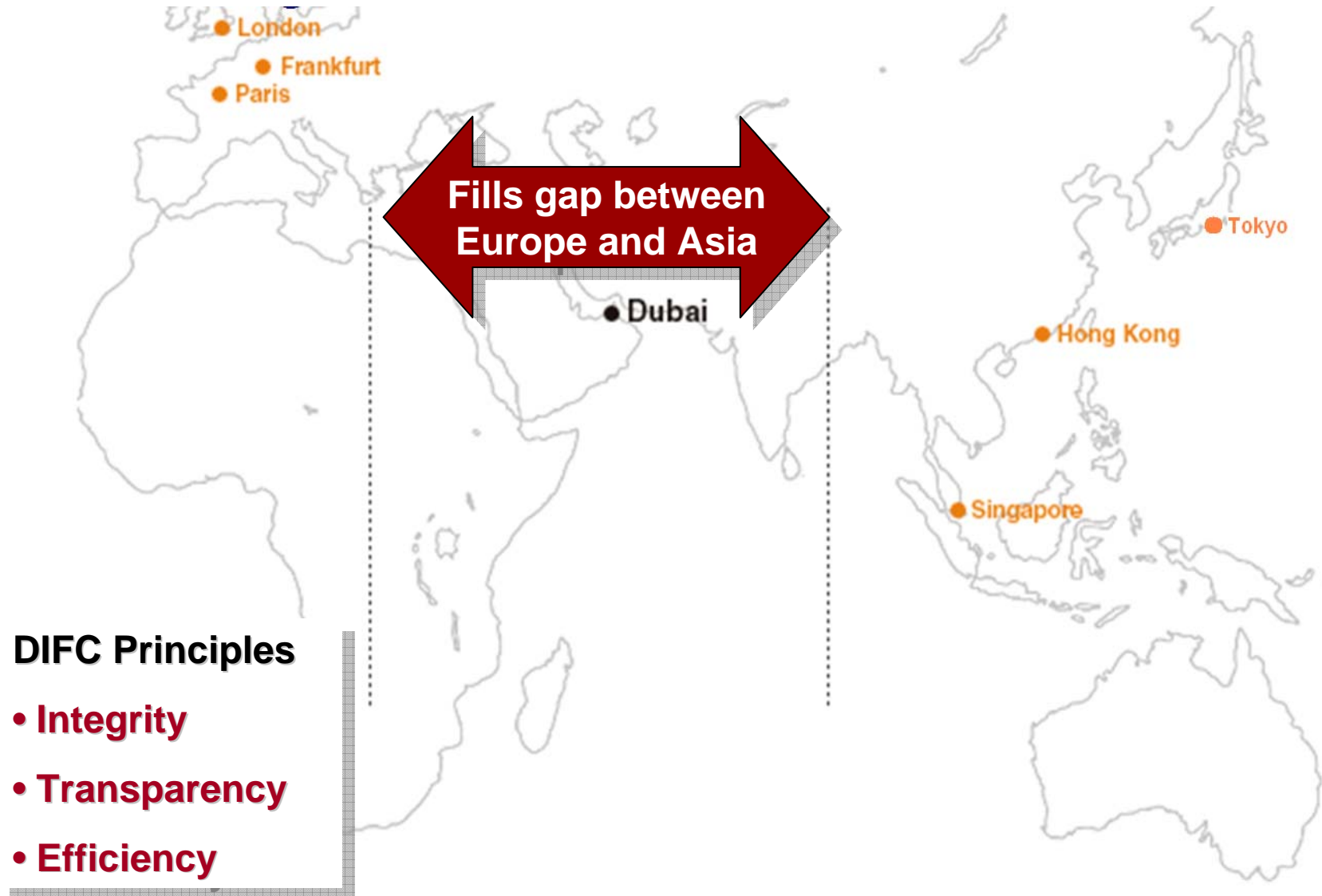
The Regulators Perspective

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23rd April 2009, Royal College of Physicians, Dublin

Dubai International Financial Centre (DIFC) Region

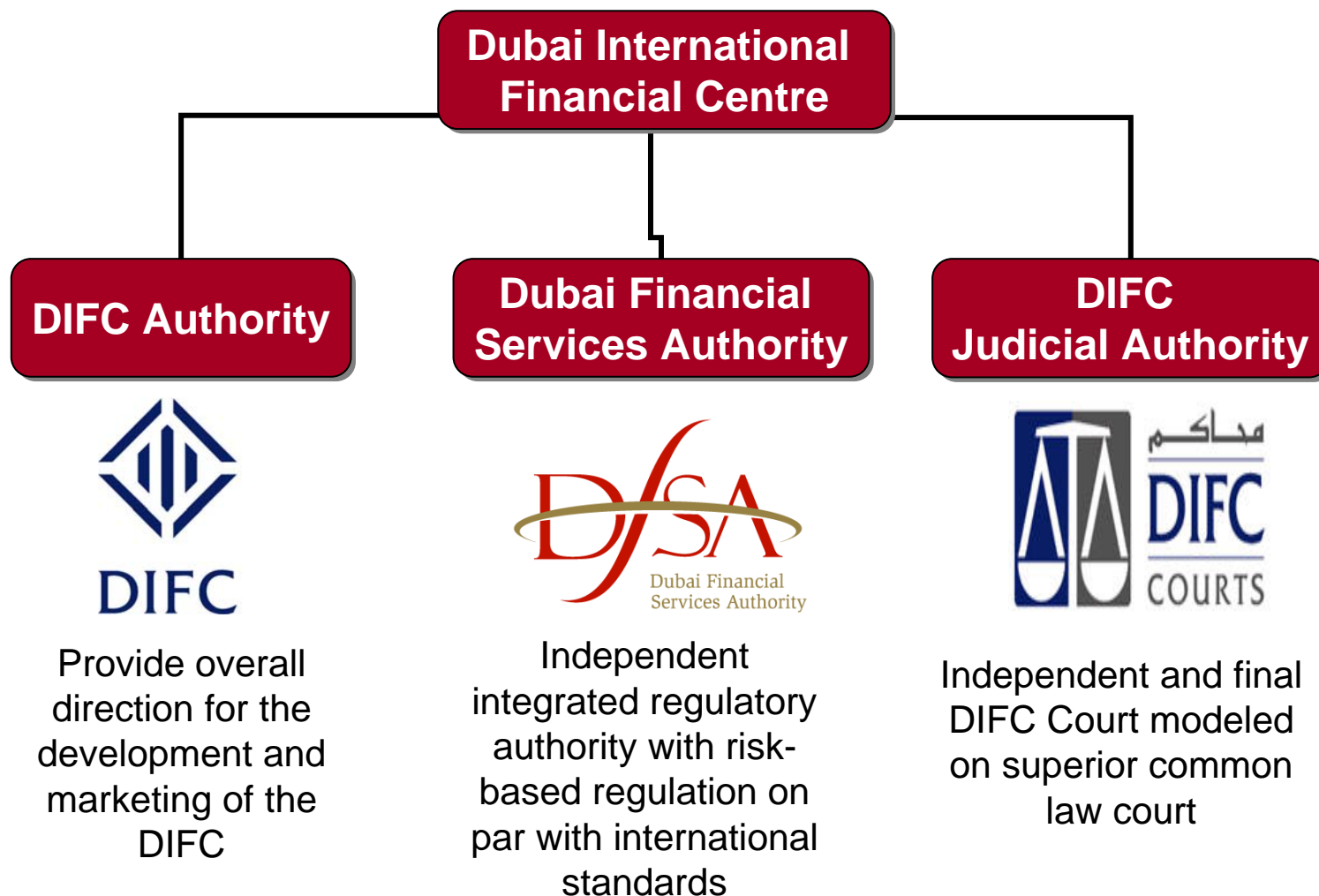


About the DIFC



* 50 Years and Renewable

The Structure of the DIFC



Dubai in 1990 - DIFC District



Dubai in 2010 - DIFC District





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:

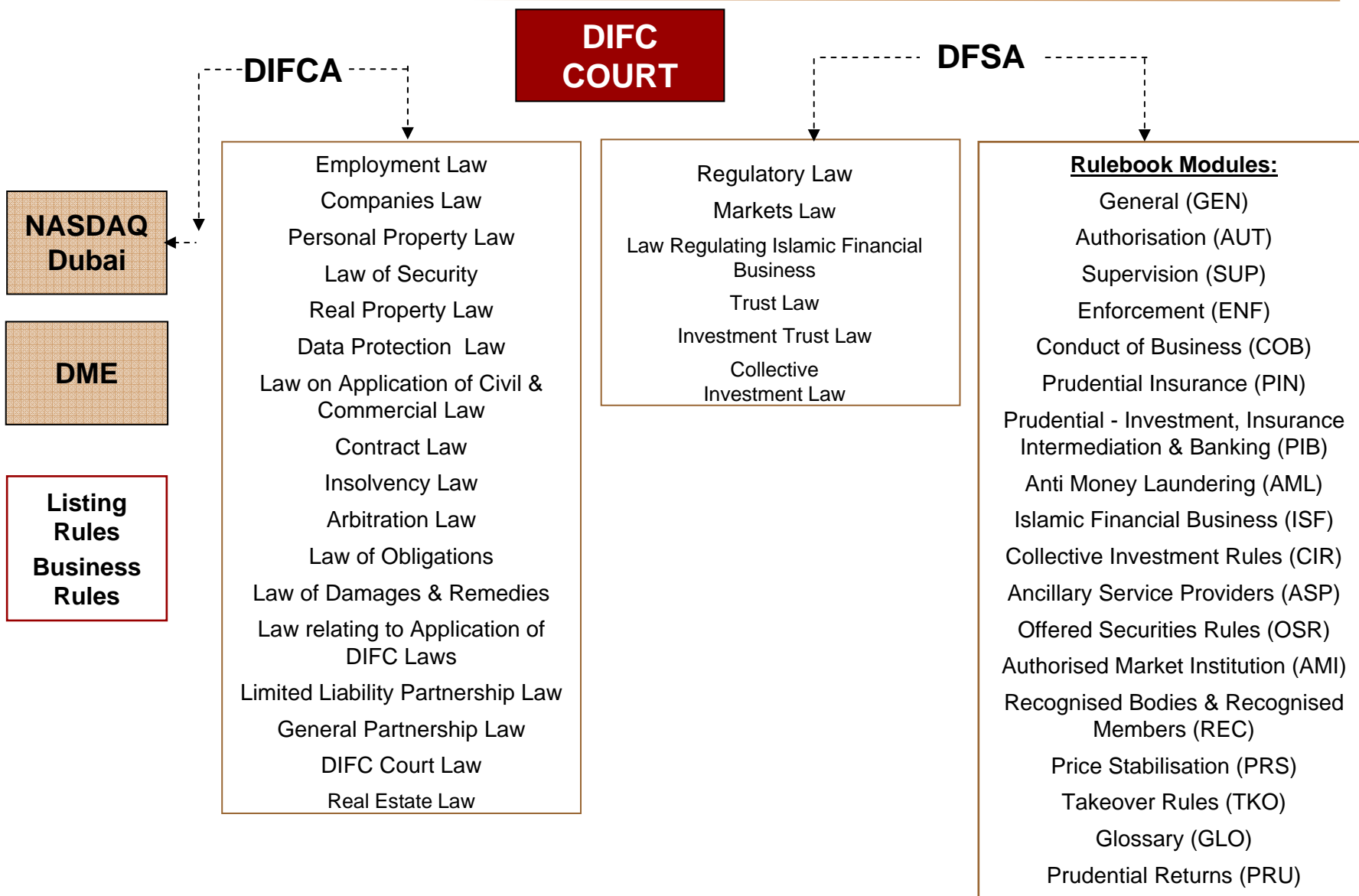
- pursues **fairness, transparency and efficiency** in the financial services industry in the DIFC
- fosters and maintains **confidence** in the financial services industry in the DIFC
- fosters and maintains the **financial stability** of the financial services industry in the DIFC, including the reduction 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

DFSA Rulemaking and Policy Development





Types of Firms Licensed and Recognised by the DFSA

Authorised Firms

Conduct specified financial services in or from the DIFC once licence has been granted

Authorised Individuals

Perform licensed functions within an Authorised Firm after being authorised

Authorised Market Institutions

Are licensed exchanges or clearing houses operating in DIFC
Currently NASDAQ Dubai and DME

Ancillary Service Provider

Provide legal and accounting services to Authorised Firms after being registered

Recognised Bodies

Exchanges, clearing houses or settlement facilities recognised to conduct financial services without having physical presence in DIFC

Recognised Members

Remote trading and clearing members recognised to conduct financial services without having physical presence in DIFC

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 |

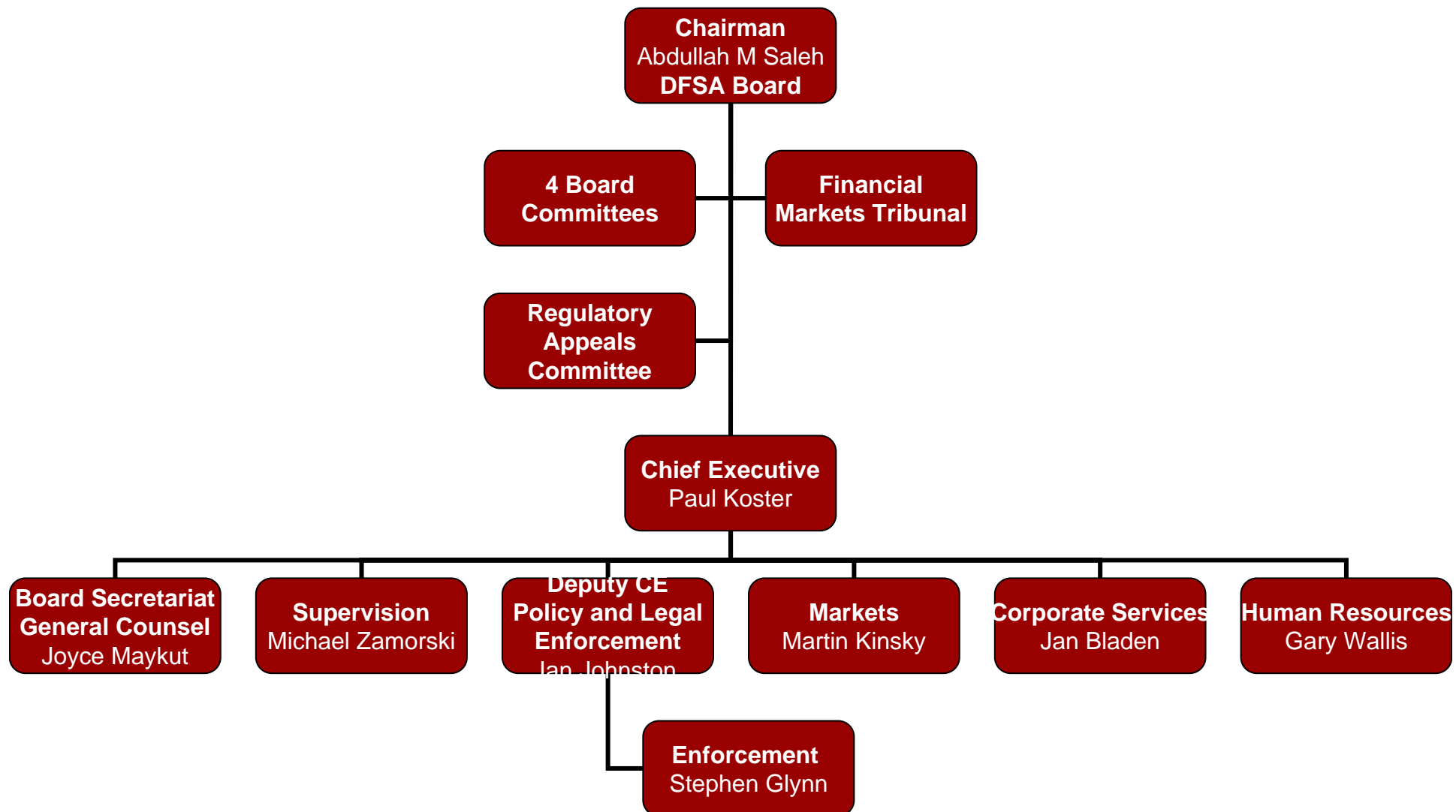
Decreasing Capital Requirements and Prudential Risks

| Category 5 |
|-------------------------------|
| Islamic Financial Institution |

Capital requirements may vary



The DFSA's Governance Model





DFSA Board Members

- Abdullah M Saleh (Chairman)
- Saeb Eigner (Deputy Chairman)
- Paul M Koster (Chief Executive)
- Abdul Wahid Al Ulama
- Fadel Abdulbaqi Al Ali
- Georg Wittich
- J Andrew Spindler
- Lord Currie of Marylebone
- Michael Blair QC
- Robert L Clarke
- Robert Owen
- The Earl of Home
- The Hon Apurv Bagri



DFSA Administrative Tribunals

The DFSA has two administrative tribunals, both established under the Regulatory Law:

- **Regulatory Appeals Committee (RAC)**

An internal appeals committee reviewing regulatory or administrative decisions of the DFSA Executive

- **Financial Markets Tribunal (FMT)**

A disciplinary and enforcement tribunal.



The DFSA Regulatory Structure

The **Supervision Division** is responsible for the risk-based supervision of firms conducting financial and ancillary services in and from the DIFC.

The **Authorisation team** is responsible for considering applications to conduct financial or ancillary services in the DIFC. It also considers applications for individuals to be authorised to carry out certain roles in Authorised Firms.

The **Markets Division** is responsible for the licensing and supervision of exchanges and clearing houses as well as recognising entities seeking Recognition status in the DIFC.

The **Policy and Legal Services Division** is responsible for policy advice and formulation, providing in-house legal advice and support to operating divisions of the DFSA and managing the business of the Policy and Rules and Waivers Committees.



The DFSA Regulatory Structure (cont)

The **Enforcement Division** is responsible for enforcing the rules and laws of the DIFC administered by DFSA, in circumstances where acts of misconduct may cause damage to the financial services industry and reputation of the DIFC.

The **Corporate Services Division** is responsible for Office Administration, Information Technology, Finance, Project and Risk Management.

The **Human Resources Division** is responsible for all aspects of employee resources at the DFSA, as well as the DFSA's Tomorrow's Regulatory Leaders (TRL) Programme.

The **Board Secretariat and General Counsel** is responsible for providing lead advice and counsel to the Board of Directors, its Committees, and the Executive on legal matters affecting the DFSA, including internal governance, statutory obligations and litigation.



The DFSA in Action (as at April 2009)

- Authorised Firms: **245**
- Ancillary Service Providers: **53**
- Auditors: **16**

- Authorised Market Institutions: **2**
- Recognised Members: **96**
- Recognised Bodies: **6**

- MoUs signed: **44** (bi-lateral) and **2** (multi-lateral)
- Enforceable Undertakings: **11**
- Consultation Papers: **60**
- Number of Employees: **116**
- Tomorrow's Regulatory Leaders: **11**



44 Bi-lateral MoUs (as at April 2009)

- | | |
|-----------------|---|
| 1. Australia | Australian Securities and Investments Commission (ASIC) |
| 2. Belgium | Commission Bancaire et Financière (CBFA) |
| 3. China | China Banking Regulatory Commission |
| 4. China | China Securities Regulatory Commission (CSRC) |
| 5. Cyprus | Securities and Exchange Commission |
| 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 |
| 14. Iceland | The Financial Supervisory Authority |
| 15. Ireland | Irish Financial Regulator |
| 16. Isle of Man | Financial Supervision Commission (FSC) |
| 17. Isle of Man | Insurance and Pensions Authority (IPA) |



44 Bi-lateral MoUs (cont)

- | | |
|------------------|--|
| 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. Luxembourg | Commission de Surveillance du Secteur Financier (CSSF) |
| 23. Malaysia | Securities Commission (SC) |
| 24. Malaysia | Bank Negara/the Central Bank |
| 25. Malta | Financial Services Authority (MFSA) |
| 26. Netherlands | Authority for the Financial Markets (AFM) |
| 27. Netherlands | De Nederlandsche Bank (DNB) |
| 28. New Zealand | Securities Commission (SC) |
| 29. Oman | Capital Market Authority (CMA) |
| 30. Singapore | Monetary Authority of Singapore (MAS) |
| 31. South Africa | Financial Services Board (FSB) |
| 32. South Korea | Financial Supervisory Commission (FSC) |
| 33. Switzerland | Swiss Federal Banking Commission (SBFC) |
| 34. Sweden | Finansinspektionen (FI) |



44 Bi-lateral MoUs (cont)

- | | |
|--------------------|---|
| 35. Taiwan | Financial Supervisory Commission of Chinese Taipei (FSC) |
| 36. Thailand | Securities and Exchange Commission (SEC) |
| 37. Turkey | Capital Markets Board (CMB) |
| 38. Turkey | Banking Regulation and Supervision Board (BDDK) |
| 39. UAE | Emirates Securities and Commodities Authority (ESCA) |
| 40. UAE | Central Bank of the UAE (CBUAE) |
| 41. UAE | Anti-Money Laundering Suspicious Cases Unit (AMLSCU) of the CBUAE |
| 42. United Kingdom | Financial Services Authority (FSA) |
| 43. United States | Commodity and Futures Trading Commission (CFTC) |
| 44. United States | The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS). |



2 Multi-lateral MoUs (as at April 2009)

1. International Organisation of Securities Commission (IOSCO)
2. Declaration on Co-operation of Supervision on International Futures Markets and Clearing Organisations (The BOCA Declaration).



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