



Business Plan 2007 / 2008



The Dubai Financial Services Authority is the integrated regulator of all financial and ancillary services conducted in or from the Dubai International Financial Centre, a purpose-built financial free zone in Dubai. The Dubai Financial Services Authority is created by statute and is an independent entity within the Dubai International Financial Centre.

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STATEMENT BY THE CHIEF EXECUTIVE DAVID KNOTT



This document constitutes an integrated Business Plan for the DFSA, together with high-level priorities from the more detailed Divisional Plans, which explains the work being done by the Regulatory Divisions to fulfil our obligations under DIFC Law No 1 of 2004 (Regulatory Law 2004). The Business Plan is an expression of the DFSA's commitment to the principles of transparency and accountability.

The DFSA is an independent Body Corporate established under Dubai Law No. 9 of 2004 in respect of the Dubai International Financial Centre (DIFC or the Centre). Our core mandate derives from the Regulatory Law 2004 which prescribes the statutory objectives and guiding principles for the DFSA and these form a solid basis for the work done by it⁽¹⁾.

We have actively engaged in building the DFSA legislative, regulatory and operational capacity within the DIFC, since its establishment as an independent statutory authority in October 2004. This "establishment phase" has been largely completed during 2006, including recruitment of executive staff (the DFSA has reached a headcount of 99 by December 2006) and finalisation of key product regulation this year. Indeed 2006 in many respects has been a transitional year and we will commence 2007 in fuller operational mode.

In essence, this Plan focuses on the fulfilment of the DFSA mandate under the Regulatory Law, explaining on a Divisional level the business as usual and continuous improvement activities, as

well as significant initiatives and Divisional priorities against the backdrop of our statutory objectives. We have, for reasons of practicality and to reflect operational considerations, condensed a number of overlapping statutory objectives and guiding principles, referred to in this Plan as "DFSA Objectives".

A key part of our plan is the development and inclusion of a Vision statement, a mission statement, Values and our Regulatory Approach, that help us guide our planning process in the longer term.

This Business Plan, spanning 2007 and 2008, has been compiled within the framework of the statutory mandate and, as you would expect, there is a good deal of continuity between this Business Plan and the previous one.

This document is structured as follows:

After a brief discussion on the DFSA Planning Environment (see the section "DFSA Planning Environment"), the Vision statement, Mission statement, Values and Regulatory Approach are discussed in more detail. It is worthwhile mentioning the Vision statement here:

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

I note that the Vision statement will resurface throughout the document; that is no coincidence. Much of our work for the coming years is directly linked to our Vision statement, ranging from our ongoing efforts to maintain world class regulation built on best practice standards, our Islamic finance initiatives aimed initially at convergence of transparency standards

1. The statutory objectives and guiding principles are included in Appendix I.

for Shari'a compliant products, to actively reach out to the authorities and other stakeholders in the region under our inter-agency and outreach programs.

Following on from the Vision, Mission, Values and Regulatory Approach, the DFSA Objectives are outlined and detailed in the section "DFSA Objectives". That section explains what the DFSA Objectives are, the work we currently do and will continue to do to further those Objectives. Ultimately, all of our regulatory tasks are (and have to be) linked to the DFSA Objectives.

For the plan period, the DFSA has grouped what it believes are the significant new tasks for 2007 and 2008 under 3 distinct headers, denoting what we refer to as "Thematic Areas", reference is made in the corresponding section. The Thematic Areas help to communicate the overall thrust of this integrated plan, thus directly influencing the structure of the priorities set out in the Divisional Plans.

The Divisional Plans are included in a separate section (see "DFSA in Action") and distinguish between "business as usual", "improvement opportunities" and "Divisional priorities". The Divisional plans cover only 2007. This is to ensure flexibility in our rapidly changing environment. The DFSA Business Plan is a living document which will change and adapt to forces at work externally, including the rate of new applications for licence arising in the DIFC, and its business stream priorities. Notwithstanding the shorter planning cycle for Divisions, I am confident that the Vision, Mission, Values, Regulatory Approach and Thematic Areas will prove to be topical during the Plan period and beyond, whereas the Objectives are simply

dictated by law, and therefore, a given.

There exists the potential that major new initiatives and priorities will be emphasised at the expense of important business as usual and continuous improvement activities. The DFSA has attempted in this Plan to avoid that risk by ensuring adequate resources and oversight of functions that are already operating efficiently. In some cases, the Divisional plans include further strengthening and consolidation of those functions during 2006. This plan includes specific Service Level Standards for our key regulatory functions, outlining the DFSA's regulatory commitment to the public. They are included in the section "DFSA Objectives" under the header "Objective: to ensure operational efficiency". The standards are characterised by a measure ("what will the DFSA do?") and a measurement ("how long will it take the DFSA to do that?").

In aligning our resources to the fulfillment of our mandate and our evolving business environment, we have identified 4 corporate priorities that we believe are key to the fulfillment of our Objectives and that serve as a tool to allow us to focus our resources.

The "Islamic finance" initiatives are described in more detail in the Thematic Areas section under the header "Compliance with international best practice". The DFSA believes that it can actively contribute to the Dubai International Financial Centre Authority (DIFCA) goal of becoming a centre of excellence for Islamic finance in the Middle East. It is important for the recognition of the DFSA as a role model in the Middle East to make use of the momentum generated by the increased interest in Islamic finance

products, as well as the Memorandum of Understanding (MoU) concluded between the Malaysian Securities Commission (SC) and the DFSA in 2006.

The **inter-agency program** recognises that the DFSA fulfils a role in the region regarding the regulation of a rapidly increasing part of the regional Capital Markets. The DFSA will further build on its strong ties and exchange knowledge and information with various UAE authorities, including the UAE Central Bank (UAE CB) and Emirates Securities and Commodities Authority (ESCA). The DFSA initiatives in this respect, relating to co-operation and communication, are outlined in greater detail under the header “Common understanding and co-operation” in the Thematic Areas section. The responsibility for program development rests with Policy and Legal Services although this program will have cross-Divisional impact. The corresponding tasks are described in more detail in the section “DFSA in Action”, under the header “Policy and Legal Services”.

The **Data Collection and Dissemination Framework (DCDF)** is an important step in the increased professionalism of the DFSA as a regulator of a rapidly expanding financial community. The planned work in this respect is outlined in greater detail under the header “Data Collection and Dissemination Framework” in the Thematic Areas section under the header “Information technology and processes”. In essence, the framework aims to provide statistical data on financial services firms in the DIFC, which will be of use to the DFSA in fulfilling its mandate and to others with an interest in the DIFC, from an economic standpoint.

The **Tomorrow’s Regulatory Leaders (TRL) Program** is an expression of the DFSA’s commitment to the sustainable growth of the Financial Services Industry in the DIFC and the UAE in general. Particulars of the program are included in the section “Tomorrow’s Regulatory Leaders”. The program has significant impact on all Divisions within the DFSA. The impact is described in more detail in the description of the Divisional activities in the section “DFSA in Action”.

Within the DFSA we will continue to configure and re-engineer our regulatory processes, with the aim of removing unnecessary regulatory burden, speeding up the processes and, above all, enabling the DFSA to focus more clearly on risk. The Divisional plans in this respect, include a number of initiatives that reflect our commitment to risk-based regulation. For example, the DFSA will introduce changes to streamline the Recognition Module (captured more fully under the header “Markets” in the “DFSA in Action” section). Our plans for rolling out business process improvements and project planning methodologies, are all part of this broader development of a risk-based culture of regulation.

The DFSA will maintain its focus on international best practice while constantly striving to be risk-based and avoiding unnecessary regulatory burden to ensure the DIFC benefits from cost effective and competitive regulation. Indeed, this Plan places high emphasis on developing regulatory practices that are truly risk-based, not rule or process-based. The assessment of risk needs to drive everything the DFSA does, from the rules it makes to our resource allocation

and our dealings with each individual firm or institution. This is a cultural attitude that needs to guide our recruitment, training and development of staff so that it becomes the natural way of thinking, for every DFSA staff member:

Reputation issues, both for DFSA and the Centre itself, underscore many of the initiatives included in this Plan, although not always overtly expressed in those terms. The DFSA is highly conscious of seeking to secure its reputation through the professionalism of its work; the independence of its regulatory operations; by active engagement in the work of international associations; through effective communication with domestic and international stakeholders and ultimately, by the quality of its management and governance. The entire Board and Executives of the DFSA are joined in those initiatives and a significant part of this Plan's activity has the purpose of reinforcing and enhancing the international reputation of the DFSA.

We are witnessing globalising markets with increased cross-border investment flows, diversified banking products and services, innovation in financial products, including for example, Islamic finance and hedge funds. Given this, there is a constant drive to minimise risk, coupled with an increased concern in respect of transparency and investor protection. In this regard, there continues to be considerable efforts made by international standards organisations and increased inter-agency co-operation.

The DFSA believes it is well placed to accommodate such innovation and change given its modern laws and rules and a policy of employing the best people and skills. We are now well placed to take

a more proactive approach in influencing and implementing international best practice and deliver our Vision to be an internationally respected regulator and a role model for financial services regulation in the Middle East.

Dubai, December 2006



David Knott
DFSA Chief Executive

DFSA PLANNING ENVIRONMENT

The Dubai International Financial Centre has been established as part of the larger vision of H.H. Sheikh Mohammed Bin Rashid Al Maktoum and the Government of Dubai to create an attractive environment for growth, progress and economic development in the UAE and the greater region. Between the international financial centres of Europe and Asia, there are over 2 billion people and a combined economy of around USD 2 trillion, which is achieving growth levels above the world average.

The economic performance in the Middle East region remains strong. In the Regional Economic Outlook of the International Monetary Fund (IMF), published September 2006 ("Outlook"), the estimated nominal Gross Domestic Product (GDP) for the year 2006 in the UAE will amount to USD 176.8 billion and for 2007 the GDP is forecasted to be USD 196.2 billion. In the Outlook, the forecasted Real Non-oil GDP growth for 2006 amounts to 10.5%, while the forecasted growth for 2007 is 6.6%. The comparable statistics for Real Oil GDP growth are 14.1% and 3.5% respectively. In the UAE, non-oil GDP growth, chiefly from construction activity, was the main engine of growth.

In response to this economic climate and opportunity, the DIFC has established 6 primary sectors of focus; banking services (investment banking, corporate banking and private banking); capital markets (equity, debt instruments, derivatives and commodity trading); asset management (fund registration, fund administration, and fund management); insurance and reinsurance; Islamic finance and back office operations.

Figure 1 - The DIFC investment environment

- High standards of rules and regulations;
- 100% foreign ownership is permitted;
- Zero per cent tax rate on income and profits;
- A wide network of double taxation treaties available to UAE incorporated entities;
- No restrictions on foreign exchange;
- Freedom to repatriate capital and profits without restrictions; and
- Ultra-modern office accommodation, sophisticated infrastructure and operational support and business continuity facilities of uncompromisingly high standards.

Key to H.H. Sheikh Mohammed Bin Rashid Al Maktoum's vision of making the DIFC a recognised hub for institutional finance in the Middle East, and indeed critical to its success, is the Dubai Government's commitment to the rule of law and to international standards of regulation. In this environment and with a self contained regulatory, legal and judicial regime based on international best practices, the DIFC offers an attractive investment environment, the benefits of which are outlined in Figure 1.

The development of the DIFC will continue for several more years and will necessitate both skill and flexibility on the part of the DFSA to meet the growth rates and direction of the DIFC. The DFSA

will continue to work with the Dubai International Financial Centre Authority during the plan period to understand more fully its strategies and expectations for that growth, in order to help our future business planning.

This Plan sets out our response to what we regard as a rapidly evolving DIFC financial services sector⁽²⁾: On the 11th of October 2006, the DFSA welcomed the 100th regulated Firm which is a remarkable milestone that exceeded everyone's plans and expectations. The DFSA has Authorised 99 Firms, registered 26 Ancillary Services Providers (ASPs) and 5 Auditors (in total as at 31 December 2006). More information on Authorised Firms and ASPs is provided later in this Plan. In September 2005, the Dubai International Financial Exchange (DIFX) received its licence. There are currently 11 Recognised Members of the DIFX, next to 3 members that are Authorised Firms (as at 31 December 2006). In addition, in 2006 3 Exchanges were granted recognition as a Recognised Body: the New York Mercantile Exchange Inc. (NYMEX), the Commodity Exchange Inc. (COMEX) and ICE Futures. Currently, the DFSA is processing the application of the Dubai Mercantile Exchange (DME). More detail on the Recognised Members, Recognised Bodies as well as DIFX and DME is set out in the section "DFSA in Action" under the header "Markets".

The cost of living in the UAE is increasing, as is the competition for experienced professional staff. According to Outlook, the estimated Consumer Price Index (CPI) for the UAE in 2006 will amount to 7.7% and the projected CPI for 2007 will

amount to 5.0%.

This Plan recognises the need to ensure that DFSA remuneration remains fully competitive when benchmarked against the international regulatory market. An equally important part of our strategy is to create long-term sustainable employment opportunities for young Emiratis in the field of regulation. This will be delivered under the 'Tomorrow's Regulatory Leaders' program which will be developed and expanded under this and future Business Plans.

As the DFSA moves through this transitional stage of its development, it has a unique opportunity to forge a lasting regulatory culture within the DIFC. Our approach will combine professionalism and independence with responsiveness to the commercial aspirations of the DIFC and the regulated community.

In essence, the DFSA is operating in a highly fluid and rapidly changing environment and this plan sets out the DFSA's structured response to that challenge.

2. See Appendix 2 for the Key Milestones.

VISION, MISSION, VALUES AND REGULATORY APPROACH

This plan includes clear and formal statements of the DFSA Vision, Mission, Values and Regulatory Approach as set out below.

VISION

The DFSA sees the benefit of having a clear and easily understood Vision. This is important as the DFSA is committed to Integrity, Efficiency and Transparency and because all stakeholders need to understand what the DFSA is striving to achieve. Throughout the Plan there are several references to the Vision: It provides long-term direction, scope and clearly communicates the DFSA's longer term intentions.

Figure 2 - Vision Statement

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

MISSION

Whereas the DFSA's Vision describes our long-term positioning, our Mission statement reflects the essence of our mandate - the job we do.

Figure 3 - Mission Statement

- To develop, administer and enforce world class regulation of financial services within the Dubai International Financial Centre.

VALUES

The DFSA values complement those set out for the DIFC as a whole, Integrity, Transparency and Efficiency. The DFSA Values are firmly embedded in DFSA's Rules and Procedures, and are reflected in the DFSA Code of Values and Ethics.

The Code includes procedures for the management of conflicts and perceived potential conflicts relating to close relationships between the staff of the DFSA and of other DIFC agencies. The Code elaborates on the core values and ethics that employees are expected to meet.

Figure 4 - 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; and
- To ensure administrative fairness, consultative process, accessibility, impartiality and accountability in the performance of our functions.

REGULATORY APPROACH

As an integrated regulator, the DFSA has created a solid base with modern laws and rules based on international best practice. The DFSA is risk-based and not rule-based in its approach. Our Regulatory Approach is included in Figure 5.

Figure 5 - Regulatory Approach

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

The DFSA regards its approach to regulation as requiring a clear and succinct statement of intention. This will ensure that the essence of our approach is clearly understood externally and will act as an aide-memoire internally, so as to ensure the DFSA constantly strives to deliver cost-effective and efficient regulation.

In 2006, it was this Regulatory Approach that led the DFSA to adopt a number of measures aimed at reducing compliance process and costs without generating unacceptable risk. These measures included the streamlining of the Ancillary Service Provider regulation. This plan includes a number of initiatives that furthers this approach.

DFSA OBJECTIVES

The Objectives listed below are based on the core requirements set out in the DFSA statutory objectives and guiding principles, as set out in the Regulatory Law 2004. They form a condensed version of the statutory objectives and guiding principles.

Under each of the Objectives an outline is provided of key activities that underpin the appropriate Objective.

OBJECTIVE:

**TO PROMOTE FAIRNESS,
TRANSPARENCY AND EFFICIENCY IN
THE FINANCIAL SERVICES INDUSTRY
IN THE DIFC.**

Disclosure regime: The DFSA implemented and currently administers a robust disclosure regime for financial services transactions. This regime includes the Conduct of Business Rules Module in relation to Authorised Firms, the Offered Securities Rules (OSR) Module in relation to Reporting Entities and their mandatory disclosures to the DIFX for the purpose of public dissemination, the Takeover Rules Module in relation to Bidders and Targets as well as their advisers and the Collective Investment Rules (CIR) Module of 2006 in relation to Funds Operators.

Corporate governance: The DFSA requires Reporting Entities to meet principles of good corporate governance, contained in DIFC Law No. 12 of 2004 ("the Markets Law 2004") as well the DFSA Rules relating to Corporate Governance and Directors' Dealings. In accordance with Article 20(2) of the Markets Law 2004, a Reporting Entity must publish in its annual report a statement on how it applies the

corporate governance principles and the rules applicable to it.

Laws and Rules: The DFSA proposes laws for enactment by the Ruler of Dubai and the DFSA drafts and enacts rules which are readily understandable and freely and fully accessible on the website of the DFSA, hosted by Complanet. The codified practice of the DFSA is to publish for public consultation any legislation it proposes for enactment.

Financial Markets Tribunal (FMT) and Regulatory Appeals Committee (RAC): The DFSA provides an independent Financial Markets Tribunal, established under the mandate contained in Article 31 of the Regulatory Law 2004. The FMT serves as an objective adjudicator of contraventions of DFSA administered legislation and related regulatory and commercial proceedings. The FMT is operationally independent of the DFSA Board of Directors and is presided by Stewart Boyd CBE QC, a Senior Member of Essex Court Chambers in London. A party who wishes to appeal a decision of the FMT may apply to the DIFC Court. In addition, the DFSA established the RAC under the Regulatory Law 2004. The RAC hears appeals from regulatory decisions made by the DFSA and operates to ensure procedural fairness, objectivity and transparency in the decision making processes of the DFSA.

Active Supervision presence: The DFSA has an active supervision presence which drives adherence to the principles of transparency and fairness in the DIFC financial services industry. Supervision includes a regular program of on-site firm risk assessments supplemented by other reviews. In exercising its enforcement

powers, the DFSA acts fairly, openly and accountably. When it detects conduct that may threaten the integrity of the DIFC, it acts swiftly and decisively to stop the conduct, minimise the effects and prevent similar conduct recurring. DFSA policy is to publish the outcomes of enforcement action. This public accountability helps maintain the integrity of the DIFC by deterring contraventions of the law or other misconduct and ensures the fair and transparent discharge of the DFSA's enforcement powers.

OBJECTIVE:
**TO PROMOTE MARKET
CONFIDENCE AND REDUCE
SYSTEMIC RISK.**

Regulatory framework: The DFSA helped create and continues to actively contribute to a sound legal and regulatory framework, built on international best practice that provides certainty to market participants. By introducing a robust regulatory framework, built to the highest international standards and tailor-made for its environment, the DFSA discharges its responsibility to ensure that the DIFC is one of the best regulated financial centres in the world, actively fostering market confidence.

Independence: The DFSA is a body corporate established under Dubai law and the independent integrated financial services regulator of the DIFC of all financial and ancillary services undertaken in or from the DIFC. The DFSA is legally and operationally independent of all other DIFC bodies. In accordance with Law No 9 in respect of the DIFC, the Government

of Dubai must provide the DFSA with the necessary funds to discharge its powers and perform its functions.

Risk-based approach: The DFSA has adopted a risk-based approach to regulation and supervision. This approach enables the DFSA to focus its resources on the areas of greatest risk to the DFSA Objectives. In addition, our Regulatory Approach encourages Authorised Firms to develop a compliance culture aimed at controlling risk. Accordingly, this Plan places high emphasis on developing regulatory practices that are truly risk-based, not rule or process-based.

OBJECTIVE:
**TO PROTECT INVESTORS AND
PREVENT MISCONDUCT.**

Fitness and probity checks: In the Authorisation phase, fitness and probity checks of applicants and their responsible Governing Bodies as well as key individuals are carried out. Approval is only granted to those who demonstrate integrity, competence and commitment to meet and maintain the high standards that are required. The DFSA reviews the structure and organisation of Governing Bodies, including the distribution of responsibilities among Members and Committees as well as arrangements aimed at ensuring Firms employ individuals who are honest, duly qualified and demonstrate integrity. The same approach is taken to the Supervision phase, especially when the concerned individuals change positions.

Enforcement: The DFSA can take remedial and preventive enforcement action where required. In relation to the supervision of Authorised Market Institutions (AMI) and the markets they operate, the DFSA requires the presence of effective supervision systems and controls as well as rules, procedures and a surveillance program that ensure proper protection to investors. An AMI must operate appropriate measures to identify, deter and prevent market misconduct, financial crime and money laundering on and through the Authorised Market Institution's facilities; and report to the DFSA any such cases for possible sanctions.

Training and outreach: The DFSA is an active contributor to various training and outreach programs, aimed at education and training of relevant stakeholders both inside and outside the DIFC. Examples include the DFSA's contributions to the Financial Services Volunteer Corps and the frequent Anti-Money Laundering training sessions hosted by the DFSA.

OBJECTIVE:

TO FOSTER THE DEVELOPMENT OF THE DIFC AS A RESPECTED FINANCIAL CENTRE.

Bench-marking: In the past year, the DFSA undertook self-assessments against the core principles of the International Association of Insurance Supervisors (IAIS), the Basel Committee on Banking Supervision (BCBS), International Association of Insurance Supervisors (IOSCO) and Financial Action Task Force (FATF). A review has been undertaken by the IMF under the Financial Sector

Assessment Program; this will be completed in 2007. The DFSA anticipates that this review will enable the DFSA to identify improvement opportunities. Implementation of improvement programs is a continuous priority of the DFSA to maintain world-class regulatory practices. The DFSA is committed to continually bench-mark itself against global best practice, with a view to being a regulatory role model in the region.

Recruitment: Whilst the organisation required considerable expansion in 2006, the DFSA recruited a number of highly skilled and experienced staff from the major financial centres of the world. The DFSA recognises the importance of maintaining a proactive approach to recruitment and the need to ensure that the DFSA remains fully competitive when benchmarked against the international regulatory market. An important part of our strategy is to create long-term sustainable employment opportunities for young Emiratis in the field of regulation. This ground-breaking initiative is delivered under the TRL program. TRL is further elaborated on page 20.

Engagement with stakeholders: The DFSA maintains active engagement with international associations and other domestic and international stakeholders. The DFSA is actively involved in a number of international activities, especially in the fields of insurance and Islamic finance. DFSA Executives frequently address respected international industry conferences and where appropriate, the DFSA acts as host and organiser of such conferences. For example, the 2007 IAIS Triannual Meetings, the IOSCO Emerging Markets Committee meeting as well as

the IAIS 2010 Annual Conference, are to be held in Dubai.

OBJECTIVE:

TO CO-OPERATE WITH DOMESTIC AND INTERNATIONAL REGULATORY AUTHORITIES.

Memoranda of Understanding: The DFSA is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU). The DFSA works closely with other regulators and actively seeks to conclude Memoranda of Understanding (MoU) with local and international regulatory bodies and enforcement agencies. This is aimed at ensuring the effective exchange of information, mutual assistance in relation to supervision and enforcement, as well as adherence to the highest common standards. A complete list of MoUs is included in Appendix 3 and a complete list of DFSA's involvement with international standard setting bodies is provided in Appendix 4, as act 31 December 2006.

Enforcement Outreach Program: The DFSA established and expands liaison with local and international agencies in accordance with the Enforcement Outreach Program. The Outreach Program is aimed at increasing contacts with various key authorities and persons involved in the regulation and enforcement of financial services and Anti-Money Laundering legislation.

Strategic initiative with the Securities Commission (SC) of Malaysia: The MoU between the Securities Commission of Malaysia and the DFSA introduces a series of strategic regulatory initiatives that seek to create a facilitative regulatory

environment aimed to ease the passage of Shari'a compliant products, services and investments across Malaysia and the Middle East. The first of 3 initiatives is to implement streamlined disclosure requirements across both jurisdictions which will seek to increase information standards relating to Shari'a products. Further information on these initiatives is included under the header "Islamic finance - Shari'a systems regulation" in the DFSA Thematic Areas.

OBJECTIVE:

TO PROMOTE COST EFFECTIVE AND COMPETITIVE REGULATION.

Funding: The DFSA is funded by the Government of Dubai under Dubai Law. The DFSA also receives fees and has the discretion to amend rules prescribing the fees payable to the DFSA.

New initiatives: The DFSA is committed to responding to market developments and continually enforcing the regulatory regime. This is demonstrated by the enactment of the 2006 Collective Investment Funds regime and Trust regime. Existing rules are also modified or waived to facilitate the financial services industry if it is clear that such modification or waiver does not incur unacceptable additional risk. In addition, the DFSA is committed to identifying the reduction of compliance process and costs.

**OBJECTIVE:
TO ENSURE OPERATIONAL
EFFICIENCY.**

Risk-based approach: The risk-based approach is an effective mechanism to ensure appropriate allocation of resources and thus operational efficiency. Further information is included in the narrative under the header "Objective: To promote market confidence and to reduce systemic risk".

Business process improvements: The DFSA aims to continually improve its regulatory processes and standards. In 2006, the Projects and Risk Management Sub-Unit initiated a complete business process improvement review throughout the organisation to streamline the Authorisation, Markets, Supervision, Enforcement and Office of the General Counsel (OGC) processes. Policy and Legal Services will complete the implementation of OGC process improvements.

Audit: Following implementation of process improvements, the Divisions are subjected to annual internal audits carried out under the responsibility of the Audit and Risk Committee. The purpose of such audits is to monitor compliance with documented internal regulatory processes.

Risk identification: This Business Plan establishes risk identification and remediation as a priority and the risks identified relate to the fulfilment of the DFSA's mandate and statutory objectives. The specific delivery plans for this outcome are being progressively rolled out under the oversight of the Audit and Risk Committee. In developing the risk

identification and remediation process, risks have been grouped under the following categories:

- Reputational;
- Operational; and
- Systemic.

(Specific risk mitigation measures can be found in Appendix 9.)

Stakeholder feedback: The DFSA values feedback from stakeholders as to their experience of the DFSA processes and procedures. The Authorisation Division continuously captures key feedback and ratings via a Customer Feedback Survey, as to the efficiency and overall experience of the DFSA Authorisation process from recently licenced Firms.

Service level standards: Our business process improvement processes translate into Service Level Standards. The standards are characterised by a measure ("what will the DFSA do for its stakeholders?") and a measurement ("how long will it take the DFSA to do that?"). Divisions will capture the relevant management information to track and evaluate performance against those standards and carry out root cause analysis where there is significant divergence. The following Service Level Standards have been identified:

General:

- Provide an initial response to enquiries within 24 hours with subsequent follow-up in the event that further information is required;
- Acknowledge receipt of complaints within 3 business days;

- Process applications for waivers and modifications of DFSA Rules within 30 business days; and
- Meet statutory obligations to publish legislation (laws, rules, policy statements and guidance) and relevant regulatory decisions within 1 business day of enactment or making.

Firms:

- Grant “in principle” authorisation to application within 50 business days upon receipt of submission;
- Process fit and proper checks of Authorised Individuals within 5 business days;
- Process variation request for variation of licence held by Authorised Firms within 30 business days; and
- Following on-site risk assessments, convey results in writing to Firms within 30 business days.

Funds:

- Process a complete application to register a public fund within 15 business days (excluding Registrar of Companies process).

Ancillary Service Providers:

- Process the registration applications of ASPs within 7 business days; and
- Process the registration application of Auditors within 30 business days.

Authorised Market Institutions (AMI):

- Determine AMI applications and applications for amendments to scope

to existing licence of an AMI within 6 months;

- Review listing decisions under the Offered Securities Module of the DFSA Rulebook and respond to the relevant AMI within 5 business days; and
- Process proposed amendments to AMI Business and Listing Rules in accordance with AMI Module of the DFSA Rulebook within 28 business days.

Recognised Bodies and Members:

- Determine applications for Recognised Body status and applications for amendments to scope of existing Recognition status “in principle” within 3 months; and
- Determine Recognised Member applications “in principle” within 6 weeks.

Prospectus Offers of Securities:

- Prospectus filings are notified in writing, within 3 business days.

Enforcement Agencies:

- Respond to requests for information from other regulatory and enforcement agencies within 1 month and write acknowledgement letter within 5 business days.

DFSA THEMATIC AREAS

In pursuit of our mandate and to accommodate changes in its business environment, the DFSA has set out 3 Thematic Areas which have direct bearing on our business planning for 2007 and 2008. For a summary of the initiatives relating to each of the Thematic Areas below, reference is made in Appendix 9.

THEMATIC AREA: COMPLIANCE WITH INTERNATIONAL BEST PRACTICE

The DFSA has a founding principle which is to draft laws and implement measures to conform to best available practice. The following points summarise the DFSA's initiatives in this regard. Further detail is set out in the Divisional Plans in the section "the DFSA in Action".

International developments: The DFSA actively tracks international developments to ensure its Rules and Laws continuously reflect best practice. To this effect, a new Division named "Policy and Legal Services" has been established. It will influence and track developments in the field of regulatory standards and it will be engaged in an on-going benchmarking process as part of policy formation. This complements the co-ordination of our international work carried out in the Office of General Counsel. For further information on this Regulatory Division please refer to the section "DFSA in Action", under the header "Policy and Legal Services".

Corporate governance: Corporate governance standards for regulated entities and reporting entities will be reviewed in

2007/2008. The DFSA intends to actively participate in the wider debate currently taking place in the DIFC but also in the UAE regarding the improvement of Corporate Governance Standards, applicable to listed companies. The DFSA highly endorses the efforts by all relevant stakeholders to identify best practice in corporate governance in the region. The DFSA will have due regard to its objective to co-operate with international and domestic regulatory authorities. The majority of the work done, in respect of listed companies, will be initiated in the Markets Division. This work will commence in 2008. The work on corporate governance standards of regulated entities will be undertaken first in 2007. Further information is included in the Supervision Divisional plan (below under the header "DFSA in Action").

Funds: During the implementation of the Collective Investment Funds regime in April 2006, the DFSA foreshadowed that it would develop a Code of Conduct for Hedge Funds in close consultation with the industry. In that regard, the DFSA will therefore, be examining Hedge Fund practices and international developments in that industry. In so doing, the DFSA will endeavour to maintain a balance between investor protection, maintenance of market integrity as well as permitting product innovation without undue constraint.

Risk framework review: The DFSA intends to further refine its risk framework. The objective is to enhance measurement of risk in terms of impact and probability. In so doing, the DFSA will publicly emphasise the nature of risk-based regulation. It must be acknowledged that regulation is not about the complete avoidance of financial failure, but rather the identification,

mitigation and management of risks. This priority will have significant cross-Divisional bearing throughout 2007.

Islamic finance - Shari'a systems regulation:

The DFSA is seeking to create a facilitative regulatory environment for Islamic finance so that the Firms present in the DIFC have access to as many jurisdictions as possible, across the globe. It is the intention to become the international hub for Islamic finance on the basis of the supervisory philosophy to act as a Shari'a systems regulator, not a Shari'a regulator.

The DFSA concluded an MoU with the Malaysian Securities Commission in the third quarter of 2006. The MoU seeks to streamline, to the extent possible, the regulatory requirements applicable to Shari'a compliant products, services and investments, in both jurisdictions, with a view to removing regulatory impediments.

3 initiatives exist in this regard, firstly to increase information flows to end customers to enable them to make informed choices about the Islamic products, services and investments being offered. The second initiative is to streamline regulatory requirements in certain product areas to minimise the cost to businesses, so as to enable regulatory models to be applied across as many jurisdictions as possible. The first area of alignment is intended to be the funds area, both marketing and domiciling funds. The third initiative is to apply this process of regulatory alignment to conventional finance as far as possible.

In the short term the DFSA aims to enhance customer and practitioner understanding of Islamic finance through

more detailed training, presentations and market awareness campaigns instigated by the DFSA. This initiative is combined with regulatory requirements on the disclosures that must be made to users of Islamic finance. Also, the DFSA will promote greater awareness of the Shari'a basis for Islamic finance through enhanced disclosure requirements. The DFSA will not now, or in the future, opine on what is or is not Shari'a compliant.

In the medium-term the DFSA aims to align its regulatory requirements for Islamic finance with the key centres of Islamic finance across the world (including those significant financial centres that traditionally were not centres of Islamic finance, such as London and Singapore), thereby actively contributing to documenting international best practice in the Islamic financial services area.

**THEMATIC AREA:
COMMON UNDERSTANDING AND
CO-OPERATION**

Since its inception, the DFSA has always placed a high value on the transparency of its rules and processes, as well as on proactive engagement with market stakeholders and other relevant regulatory and enforcement agencies. The DFSA will further increase public understanding on the tasks and responsibilities of the DFSA. At the same time, the DFSA intends to increase its on-going dialogue with and "outreach" to local and regional financial community stakeholders, in order to continuously expand its own understanding of the environment in which the DFSA operates. This Thematic Area is of

particular significance now that the DFSA has moved from its initial “establishment phase” into a more operational “business as usual” mode.

Consistent with this theme, the DFSA will undertake a number of initiatives outlined below:

Promote understanding: The DFSA wishes to promote public understanding of its role and in particular of its risk-based approach. Key to the external understanding of the risk-based approach is managing the expectations that the market participants may legitimately have of the DFSA. To increase public understanding the DFSA will seek to make prudent use of its website, the media, as well as more direct forms of communication with firms and stakeholders. We will also produce public policy documents, explaining in greater detail our approach and activities.

Market intelligence: The DFSA believes that it needs to develop and enhance mechanisms to receive market intelligence and to undertake market monitoring and research, both for Supervision and Enforcement purposes. For this purpose, the DFSA will establish processes through which better and more frequent interaction with the financial community will be promoted. Reference is made to the section “DFSA in Action”, under the header “Communications and Strategic Planning”, sub-header “enhance market intelligence”. In addition, the DFSA will actively identify and use opportunities with the financial services industry to promote an exchange of information. Examples would include our consultation process in the creation and adoption of proposed rules as well as more frequent meetings with Compliance Officers, in addition, to

the current half-yearly meetings on Anti-Money Laundering.

Inter-agency / outreach program: The DFSA intends to further formalise its approach under its inter-agency / outreach program, which is aimed at the development and maintenance of relationships with the regulatory and enforcement agencies of the UAE and the wider region. The DFSA shares a jurisdictional border with ESCA as well as the UAE CB. Although the aforementioned agencies do not have jurisdiction in the DIFC, the DFSA is committed to co-operation with the ESCA and the UAE CB. The program will include increased focus on bilateral relations with UAE authorities. The program will also include active knowledge exchange. A particular area of work to be undertaken relates to continuing efforts with regard to regulatory co-operation in the event of financial and other crises. Authorities around the world and international standard bodies take an active interest in market conditions that could impact financial stability and systemic risk.

Memoranda of Understanding: The DFSA will continue to actively pursue strong co-operative relationships with other relevant international regulators. A list of current MoUs and the IOSCO MMoU are included in Appendix 3. It is the intention of the DFSA to increase the number of MoUs to cover jurisdictions and regulatory authorities that are key to achieving its strategic objectives. The DFSA has been active within the IAIS in developing a new Multilateral MoU.

Engagement with key-policy makers: Also, the DFSA will be developing a program of discussion and engagement with key policy makers abroad, both on government agency level as well as the level of international

standard setting bodies. Further information on this topic is included in the Division section of this plan, under the header “Communications and Strategic Planning”.

Promoting public understanding: The DFSA has as a statutory objective “to promote public understanding of the regulation of the financial services industry in the DIFC” (refer to DFSA Objectives section).

The DFSA will develop a comprehensive Communications Strategy that includes, among other things, initiatives to:

- increase stakeholder and general public understanding of the regulation of the financial services industry in the DIFC; and
- Support understanding and implementation of the DFSA’s Thematic Areas.

**THEMATIC AREA:
INFORMATION TECHNOLOGY (IT)
AND PROCESSES**

For 2007 and 2008, the DFSA intends to initiate a number of IT and process improvement initiatives, set out below:

Market intelligence: The DFSA will enhance market intelligence and information collection and management. We will commission the development of appropriate systems to meet this need.

Data Collection and Dissemination Framework: The DFSA intends to design and implement a data collection and dissemination framework for collecting data from Authorised Firms, primarily for use in off-site monitoring of risk. The collection and dissemination of data on activity in the

DIFC will help in monitoring trends in DIFC and UAE markets relevant to prudential regulation; enable firms better to understand business conditions and risk levels in the Centre; inform potential participants in DIFC markets and help the DIFC and UAE to meet the data dissemination standards recommended by the IMF.

Other regulatory authorities in the UAE will also be able to benefit from the creation and implementation of the above framework.

Once the universe of data elements has been defined, a process will be undertaken to classify them according to their utility to DFSA and other stakeholders. This process will use globally recognised standards for analysis and data dissemination, for example, the data requirements needed for calculation of Financial Stability Indicators (FSIs) as defined by the IMF. The process will also reflect the standards used by reporting frameworks employed in other mature jurisdictions, such as the common reporting framework (COREP) recently established by the Committee of European Banking Supervisors. The process will cover all business lines and product categories and will consider markets in geographical as well as customer terms.

Regulatory reporting via Extensible Business Reporting Language (XBRL): XBRL is an XML-based language developed specifically for the automation of business information requirements such as the preparation, sharing and analysis of financial reports, statements and audit schedules. It greatly increases the speed of handling financial data, reduces the chance of error and permits automatic checking of information. It has the potential to become

the norm for financial reporting and offers significant cost savings, according to a recent study conducted by the Federal Financial Institutions Examination Council, in 2006. Many regulators share common challenges in their reporting functions and adoption of XBRL is under consideration by a number of regulators. The DFSA will review more closely the benefits of adoption of XBRL, monitor international developments and consider a possible adoption of XBRL, based on that review.

Regulatory database: Under article 22 (1) of the Markets Law 2004, the DFSA is required to establish and maintain an electronic data gathering, analysis and retrieval system (the “database”) for the receipt and storage of information filed or disclosed under the continuous disclosure obligations applicable to Reporting Entities. The database is for the purpose of making information available to the public except where such information is confidential, as prescribed in the DFSA Rulebook.

Under article 22 (2) of the Markets Law, the DFSA may delegate to any person all or part of any function in Article 22 (1). In September 2005, the DFSA delegated its obligations regarding the database to the DIFX. The DIFX maintains a web-based database. However, in view of the likely increase in market volumes resulting from increased numbers of issuers as well as the Authorisation of the second Exchange in the DIFC (the Dubai Mercantile Exchange - DME) the need for a more sophisticated system operated by the DFSA will be reviewed.

The required work will primarily be undertaken by the Markets Division (supported by the Operations Division) in 2008.



TOMORROW'S REGULATORY LEADERS

As part of its aspiration to develop a future generation of financial sector regulators from within the UAE, the DFSA designed the TRL program. The TRL program was launched in September 2006 and is an extensive training and development program designed to create sustainable career opportunities for Emiratis in financial services regulation. The core features of TRL are intensive academic and practical training over a 2 year period, followed by long-term employment opportunities. TRL is a continuing program and the intention is to maximise participation over coming years. The program mission is included in Figure 6.

Figure 6 - TRL Program Mission

- to develop regulatory skill sets in Emiratis leading to sustainable employment opportunities in regulation within the DFSA and the wider region; and
- to reduce future dependence of the DFSA on expatriate hirings, within a framework that ensures the continued credibility and reputation of the DFSA as a world class regulator.

The DFSA understands that part of the attraction to the DIFC is the industry confidence that international standards of regulation will be professionally administered by competent regulators. That expectation will not be compromised by TRL.

The program is targeted to Emiratis upon graduation from tertiary education within the UAE or offshore. A key feature of the program is its focus on intensive and individual training and development. Most of the knowledge transfer is designed and implemented by DFSA staff but, where appropriate, external training courses are utilised. Graduates are sponsored into

regulatory courses conducted by leading international regulatory standard setters such as IOSCO.

They are also be assisted in attaining certification qualifications under programs run by external institutes.

In the first year of TRL the working week is divided equally between academic and practical training with a curriculum covering more than 40 subjects in disciplines related to regulation. The DFSA expects more than 5,000 hours of executive time, involving more than 50% of our staff, will be spent in preparing and presenting these materials until September 2007, which marks the end of the first intake year.

The program also involves on-the-job coaching, during which participants are assigned to individual coaches and rotated through each of the principal regulatory departments of the agency. In the second year of the program, the participants move to full time on-the-job training within one of the DFSA's Divisions: Authorisation, Supervision, Markets, Enforcement and Policy and Legal Services.

Another part of the program features, is the annual award of up to 2 financial scholarships to undergraduates who are assessed as having outstanding potential for future induction to the program. These scholarships are directed to students who have not more than 2 years of tertiary education to complete and who are judged by the DFSA to have the qualities to succeed as part of a future generation of financial regulators.

There are currently 4 graduates in the TRL program. For 2007, the DFSA plans to recruit 4 - 6 more graduates.

THE DFSA IN ACTION

DFSA BOARD

The DFSA is supervised by a Board of Directors and managed by an Executive. The Board includes locally and internationally respected individuals. Their presence and active involvement in the governance of the DFSA further promotes the DFSA as a role model for financial services regulation, based on international best practice and drawing on internationally recognised regulatory and industry experience.

Powers and Functions of the Board

The powers and functions of the Board under the Regulatory Law 2004 are to:

- ensure that the DFSA exercises its statutory powers and performs its statutory functions in accordance with its objectives;
 - make policies relating to the regulation of financial services and related activities;
 - make provision for the consideration of adjudication and the application of penalties in relation to disciplinary and other matters;
 - review the performance of the Chief Executive;
 - give the Chief Executive directions;
 - arrange for the DFSA to enter into co-operation arrangements with other regulators;
 - review draft laws and recommend them to H. H. Sheikh Mohammed bin Rashid Al Maktoum, President of the DIFC;
 - review and make rules;
 - review and issue standards and codes of practice; and
- make submissions to the President in relation to legislative matters outside the scope of its own legislative powers.

All DFSA Board Directors are appointed by the President for 3 year terms.

Members of the DFSA Board

The Board comprises 12 Directors and all but the Chief Executive are independent Non-Executive Directors. The Board Members are included in Figure 7. Their biographies are included in Appendix 5.

Figure 7 - DFSA Board Members

- Dr. Habib Al Mulla (Chairman)
- Abdullah M. Saleh (Vice Chairman)
- David Knott (Chief Executive)
- The Hon. Apurv Bagri
- Michael Blair QC
- Robert L. Clarke
- Lord Currie of Marylebone
- Saeb Eigner
- The Earl of Home
- Robert Owen
- J. Andrew Spindler
- Georg Wittich

The Board's Role

In exercising its general oversight of the DFSA's operations, the Board's role includes:

- making strategic decisions affecting the future operation of the DFSA;
- setting appropriate policies to manage risks to the DFSA's operations and the achievement of its objectives and seeking regular assurance that internal controls are managing risks in accordance with these policies;
- maintaining a sound system of financial control; and
- providing an accountability mechanism for decisions of Committees of the Board through periodic reporting.

BOARD SECRETARIAT AND GENERAL COUNSEL

The Board is supported by Joyce Maykut QC, acting as Secretary to the Board of Directors and General Counsel. Her biography is included in Appendix 7. The Board Secretariat manages and co-ordinates all corporate secretary functions for the Board and each of its Committees.

The office of General Counsel provides lead advice and counsel to the DFSA on legal matters affecting the DFSA, including internal governance issues, managing high-level legal relationships and major contracts, interfacing with the DIFC Court and overseeing DFSA litigation. The OGC also oversees the DFSA's international relations. This involves leading and co-ordinating DFSA's role in all aspects of international relations to ensure that

DFSA is recognised by international standard setting bodies and regulatory counterparts as meeting best practices in its international agreements and co-operative relationships.

DFSA BOARD COMMITTEES

The DFSA Board has established 6 Committees to assist it in its work and these Committees form a solid platform for good governance, efficiency and redress. One of those Committees, the Regulatory Appeals Committee, is mandated by the Regulatory Law. Membership of the Committees and a summary of their functions are set out in Appendix 6. Some Committees include Members who are not Members of the Board, while the Chairman of the DFSA Board is an ex-officio Member of all Board Committees except the Audit and Risk Committee and the Regulatory Appeals Committee. The FMT was established under the Regulatory Law to serve as an independent and efficient expert tribunal to determine contraventions of DFSA administered legislation and related regulatory and commercial proceedings.

DFSA EXECUTIVE COMMITTEE

In March 2006, an Executive Committee was formed under the chairmanship of the Chief Executive to act as the primary forum for considering and advising the Chief Executive upon management issues. Its agenda consists of high level management and policy issues as nominated from time to time by its Members. Its Members are broadly the Heads of the relevant Divisions that report to the Chief Executive directly.

DIVISION STRUCTURE AND DFSA-WIDE ACTIVITIES

Divisional structure: The DFSA is divided into the following Divisions: Authorisation, Supervision, Markets, Enforcement and Policy and Legal Services. Between Authorisation and Supervision there exists a Unit named Shared Services. The aforementioned Divisions are supported by Human Resources, Communications and Strategic Planning and Operations Units (jointly referred to as "Support Units"). The biographies of the DFSA's Senior Management appear in Appendix 7.

Service level standards: One of the most difficult tasks confronting any regulator is to effectively measure performance. For that purpose, the DFSA has identified a number of Service Level Standards, pertaining to the core regulatory "business as usual" items. For a discussion on the Service Level Standards as well as their origin, reference is made to the Section "Objectives, under the header "To ensure operational efficiency".

DFSA DIVISIONS AND UNITS

AUTHORISATION DIVISION

BUSINESS AS USUAL ACTIVITIES FOR 2007

The Authorisation Division 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 main aim of the Authorisation Division is to make sound and timely recommendations to the Chief Executive regarding the Authorisation or Registration of a Firm based on an assessment of the risks posed to the objectives of the DFSA. The majority of the Authorisation effort will be dedicated to the core process of licencing Firms, as in 2006, with an increased focus on continuous improvement. In doing so, the Authorisation Division will commit to an "in principle" authorisation within 50 business days.

IMPROVEMENT GOALS FOR 2007

Regulatory processes: As described above, the Authorisation Division has substantially completed its Business Process Improvements initiative. Going forward, the Authorisation Division places a high emphasis on developing further its regulatory processes to ensure that its approach to authorising Firms is wholly risk-based.

International standards: In 2007, the Authorisation Division will contribute significantly to the high priority DFSA-wide initiative to ensure compliance and to demonstrate that the DFSA complies with the international Core Principles set by Basel, IOSCO, IAIS and FATF recommendations.

Training: The training program for 2007 will be targeted to enhance the capability of the Authorisation staff to meet their objectives with a focus on technical expertise (e.g. in hedge funds, Islamic finance, commodities) and the development of more general skills (e.g. communication skills, project management) to improve further the overall professionalism and efficiency of the Authorisation Division.

DIVISION PRIORITIES FOR 2007

Islamic finance: The Authorisation Division will support the DIFC initiative to become the leading international financial centre for Islamic finance. In particular, the Authorisation Division will aim to identify the special features and risks in Islamic finance which might require a tailored regulatory response.

Promote understanding: The Authorisation Division will engage with key stakeholders (applicants, potential applicants and their advisors, other regulators and DIFCA), from an Authorisation perspective, to promote understanding of DFSA's regulation of financial services in the DIFC.

SUPERVISION DIVISION

BUSINESS AS USUAL ACTIVITIES FOR 2007

The core mandate of the Supervision Division is to deliver effective, efficient and risk-based supervision of Authorised Firms in accordance with the DFSA's Objectives and ensuring effective and timely use of supervisory tools (including periodic risk reviews) and utilising effective supervisory processes for Authorised Firms. In doing so, the Supervision Division seeks to develop and maintain open and informed relationships with regulated Firms, through visits and desk reviews. As part of its mandate to Supervise Firms, the Supervision Division processes the registration of Public Domestic Funds (as defined in the Collective Investment Rules Module).

Policy and standards bodies: The Supervision Division contributes to policy development and represents the DFSA, where appropriate, on external standard setting bodies, a list is included in Appendix 8.

Knowledge base: The Supervision Division actively contributes to the DFSA's drive to ensure that its regulatory regime is of the highest international standard by developing, maintaining and providing high levels of expertise and knowledge of the financial services industry and keeping abreast of regulatory developments.

Variation of licence: In case an Authorised Firm wishes to apply for a variation of its licence, the relevant Supervision Division Relationship Manager is responsible for processing the request. As a Regulatory Performance Indicator, the Supervision Division strives to process variation request within 30 business days.

IMPROVEMENT GOALS FOR 2007

Specific industry developments: The Supervision Division is implementing further enhancements to the current insurance regime in the areas of group supervision, prudential rules for life insurance; prudential rules for credit insurance and insurance securitisations.

Processes, systems and expertise: As described above, Supervision is implementing performance improvements based on a comprehensive review of its procedures. This is already having a positive impact on operational efficiency and service, to regulated Firms and helping the Division to focus even more firmly on risk. Supervision will continue to participate in active cross-training of skills within the Division.

Ancillary Service Providers follow-up:

In 2007, the Supervision Division will undertake an Assessment of former ASPs that no longer fall under DFSA's revised ASP Regime, with the aim to verify that the former ASPs did not exceed the boundaries of permitted, unregulated services.

Trust services The Supervision Division will carry out a review of its Trust Service regime to ensure that supervisory oversight is robust in all areas of the regime. The work will include an analysis of benchmark jurisdictions (notably the results of the Jersey Theme Review on Trust Service Providers) in order to determine the key risk indicators. The implementation phase (should changes be necessary) is likely to be finalised by the latter part of 2007. In view of the fact that the focal point of attention will be the risk of financial crime, the Enforcement Division will provide expertise where required.

DIVISION PRIORITIES FOR 2007

Hedge funds: As discussed in detail in the section "Thematic Areas" under the header "Hedge Funds code of conduct". The Supervision Division will be the main driver of this project and completion is expected to take place around mid-year 2007.

Corporate governance: The Supervision Division will carry out a review of corporate governance standards for Authorised Firms that will lead to the specification and implementation of any necessary changes in the DFSA regime. Completion of this project is expected to be in the third quarter, 2007.

Islamic finance: In the Supervision Division work has been done on the development of a DFSA-wide Islamic finance strategy paper and the disclosure project, as part of the Malaysian initiative. In this context, the Division will seek to align and streamline regulatory requirements in the area of funds and offered securities.

Basel II implementation: From July 2006 to October 2006, the DFSA carried out a review of the requirements for implementation of Pillars 2 and 3 under the Basel Capital Accord. In the fourth quarter of 2006, the Supervision Division identified the key changes to be achieved as part of the implementation, including changes to the supervisory framework and processes. It is envisaged that by mid-year 2007, the Supervision Division will have proposed to the DFSA Board the necessary Rules changes with a view to public consultation documents aimed at Rules changes.

Data Collection and Dissemination

Framework: This initiative is discussed extensively in the section "Thematic Areas". In the last quarter of 2006, the Supervision Division has identified the data elements to be covered by the framework. The Supervision Division will identify the IT requirements and co-ordinate steps towards implementation of the IT systems; and it will prepare the forms for collection of identified data elements and obtain the necessary approvals to include them as part of regular reporting requirements. The implementation phase will entail testing of the framework and providing training to DFSA staff as well as Authorised Firms.

SHARED SERVICES UNIT

BUSINESS AS USUAL ACTIVITIES FOR 2007

In July of 2006, a Shared Services Unit was created to optimise opportunities for the co-ordination of processes which are common to 2 or more DFSA Regulatory Divisions. At present, the Shared Services Unit supports both the Authorisation Division and the Supervision Division. The Shared Services Unit has the following key tasks:

Registration: To make sound and timely recommendations to the Chief Executive regarding the registration of ASPs and Audit Firms. The Shared Services Unit strives to process the registration applications of ASPs within 7 business days and the same of Auditors within 30 business days.

Fit and proper checks: To process fit and proper checks of Authorised Individuals, Controllers and ASPs (under the responsibility of the Authorisation Division). The Shared Services Unit strives to process all assessments within 5 business days;

Supervision: To deliver effective, efficient and risk-based supervision of Registered Auditors (see the sub-header "Accounting and Audit", under the header "Division Priorities for 2007" below) and to oversee registered ASPs on a reactive basis.

FATF compliance: To achieve and maintain compliance with the recommendations by the Financial Action Task Force in relation to the above registration activities. Shared Services will participate in the DFSA-wide effort to prepare for the IMF visit in the first quarter 2007.

Authorisation and Supervision processes:

To support Authorisation and Supervision processes in relation to Authorised Individuals.

Policy co-ordination: To provide policy co-ordination and support for the Authorisation and Supervision Divisions.

IMPROVEMENT GOALS FOR 2007

General improvements: Shared Services will remain alert to any opportunities to provide services to 2 or more Regulatory Divisions to improve DFSA-wide efficiency.

UNIT PRIORITIES FOR 2007

Accounting and Audit: In September 2006, the DFSA modified Section 8 of the General Module of the DFSA Rulebook, in order to strengthen the current regulatory regime for Auditors and further increase confidence in the financial services industry in the DIFC. This change seeks to manage and mitigate the risk of inadequate or inaccurate financial reporting by certain DFSA regulated entities, due to the engagement of unsuitable auditors or unsuitable auditing processes. The current upgraded framework for registration of auditors takes into account these risks.

Following the adoption of the above Rule change, the Shared Services Unit will design and implement a specific supervisory regime for Auditors, which is expected to be completed and rolled out by March 2007.

Islamic finance: The Shared Services Unit will contribute to the DFSA Islamic finance Thematic Area (described in more detail in the section "Thematic Areas" under the header "Islamic finance") by identifying any

specific accounting issues which require a tailored response.

MARKETS DIVISION

BUSINESS AS USUAL ACTIVITIES FOR 2007

The Markets Division is responsible for the licencing and supervision of Exchanges and Clearing Houses (collectively referred to under the Rules as "Authorised Market Institutions" - AMIs) as well as Recognised Members and Recognised Bodies.

Recognised Members are Members of an AMI who have no physical presence in the DIFC. The DFSA recognises those Members on the basis of an assessment of the regulatory regime those Members are subject to in their home jurisdictions. Recognised Bodies are Exchanges and/or Clearing Houses that carry on their services in the DIFC without being established in the DIFC. Recognised Bodies are recognised on the basis of an assessment of the regulatory regime that Recognised Bodies are subject to in their home jurisdictions.

Currently, the New York Mercantile Exchange Inc., the Commodities Exchange Inc. and ICE Futures are recognised Bodies. The Dubai International Financial Exchange Inc. (DIFX) received its licence to operate as an AMI in September 2005. The DIFX has 11 Recognised Members as at 31 December 2006 (and 3 Authorised Firms that are Members). An application from the Dubai Mercantile Exchange is under assessment at present.

The Markets team also supervises the conduct of Reporting Entities, broadly in relation to disclosure obligations and corporate governance standards. Reporting Entities are entities that have securities admitted to an Official List of Securities of an AMI (such as the DIFX) and/or that have carried out an Offer of Securities in the DIFC for which a prospectus had to be published in accordance with DFSA Rules.

The Markets Division also administers takeovers under the Takeover Module of the DFSA Rulebook. This includes providing an orderly framework within which a takeover is conducted in compliance with regulatory obligations set out in the Markets Law and the Takeover Rules and ensuring that holders of securities and investments subject to the Takeover Bid are treated fairly and equally.

DIVISION PRIORITIES FOR 2007

Public understanding: Because of the strong public interest role the Markets Division plays, it actively participates in the creation of public education strategies to enhance the effectiveness of the DFSA and the DIFC, and it participates in DFSA initiatives regarding the creation of publishable material explaining the regulatory basis of DFSA's mandate. For further information on this specific topic, please see the "Communications and Strategic Planning Unit" section. In view of the fact that the Markets Division has substantial responsibilities in the field of capital markets regulation in the DIFC, and in view of the fact that the DIFC capital market does not operate in isolation from the UAE and other regional capital markets, the Markets Division will be a significant contributor to DFSA cross-Divisional

inter-agency and outreach programs in the region. Further information is included in the “Thematic Areas” section under the header “common understanding”, as well as under the header “Policy and Legal Services Division” section. Particular emphasis will be placed on ESCA and the UAE CB, as well as other regulatory authorities in the region.

International regulatory developments:

The Markets Division intends to further institutionalise its role to monitor and understand international initiatives in relation to securities and commodities markets in the GCC, Europe, the UK, the USA and other relevant markets.

Risk-based regulation: The Markets Division currently supervises one Securities Exchange (DIFX). Following licencing of the DME, the Markets Team will implement a supervision model for Commodities Exchanges and their Members. In addition, the Markets Team will undertake work in documenting the methodology for carrying out thematic reviews.

Market intelligence: The Markets Division is required to identify, capture and evaluate the fields of market intelligence that relate to serving its mandate. The Markets Division will work closely with the Corporate Communications and Strategic Planning Unit which has been charged with reviewing a DFSA-wide approach.

Recognition module: In light of the assessment of the application by the DME to become an AMI, the membership structure of the DME has been reviewed and it has become apparent that applicants for the DME membership will largely seek to do so as Recognised Members. Two

relevant considerations as specified under the REC module are the requirements that the DFSA needs to be satisfied that the financial activity for which the entity is being recognised is one that is regulated in its home jurisdiction and that jurisdiction needs to be one acceptable to the DFSA. However, commodities futures trading does not necessarily attract the same interest from regulators and hence, there are some aspects of commodities trading that are unregulated. Unlike securities trading and deposit taking, it is common for major counterparties not to be regulated by financial services regulators. This may necessitate changes to Rules enabling the DME business model to be rolled out in the DIFC without compromising the regulatory safeguards embedded in the Recognition Module. Although the work has been initiated in the fourth quarter of 2006, the Rule change entails significant work in 2007, including a public consultation.

ENFORCEMENT DIVISION

BUSINESS AS USUAL ACTIVITIES FOR 2007

The Enforcement Division is responsible for taking action against financial and ancillary services firms that do not meet the high standards required in the DIFC. It may also take action against individuals in such firms. In certain circumstances, it may take action against other persons for example, in cases of market misconduct.

More specifically, the Enforcement Division is there to:

- prevent, detect and restrain conduct which causes or may cause damage to the reputation of the DIFC;
- maintain and enhance effective working relationships with local and international regulatory agencies and industry organisations;
- maintain and enhance efficient working relationships and processes within the DFSA where they may impact on Enforcement and DFSA Objectives;
- contribute effectively and assist non-Enforcement roles within the DFSA, when required; and
- participate in and contribute to educational initiatives in the UAE and internationally, aimed at improving financial regulatory compliance.

Educational and training initiatives: The Enforcement Division will actively contribute to an ever increasing culture of compliance in the DIFC. It will strive to enhance the local and international reputation of the DFSA by participating in and contribute to educational and training initiatives in the DIFC, internationally, as well as regulatory and enforcement agencies. The aim is to improve financial regulatory compliance and combating economic crime, with a specific focus on money laundering and counter-terrorist financing.

Liaise and co-operate with local and international regulators: The DFSA will work closely with local and international regulators and will respond to requests for information in a timely fashion.

Enforcement strives to be proactive in maintaining good relations with such agencies. The Enforcement Division will respond to requests for information from Enforcement and Supervisory agencies within one month and undertakes to write acknowledgement letters in response to requests for information within one week.

Use of enforcement powers in accordance with DFSA objectives: The Enforcement Division will act fairly and transparently in the exercise of enforcement powers. The Enforcement Division undertakes to conduct routine investigations within 3 months and complex investigations within 6 months.

IMPROVEMENT GOALS FOR 2007

Public warnings: The Enforcement Division is planning the development of a public warning section on the DFSA website intended to warn the public about fraud scams. The roll-out is planned for June, 2007 and the work is done in conjunction with Communications and Strategic Planning (see the Communications section under the header "Website").

DIVISION PRIORITIES FOR 2007

Intelligence systems: Contribute to the development of effective intelligence systems in the DFSA and use those systems for responding to in depth intelligence request from the Authorisation, Supervision or Markets Divisions within appropriate time frames.

Enforcement conference: Design, host and present a 3-day international Enforcement conference in November 2007, to be attended by local and international

regulators and law enforcement personnel.

Evidence management system: Obtain and implement a system for the collection and storage of evidence gathered in the course of an investigation. The implementation will entail necessary training for relevant Enforcement staff.

Financial investigations course: The Division has been engaged in a successful outreach program, which will continue. However, the Division will build on this success and develop a Financial Investigation Course for investigators, government agencies and compliance officers in the region with a view to developing forensic and investigative skills that will assist in combating economic crime in the region. This course is intended to be rolled out during 2007.

POLICY AND LEGAL SERVICES DIVISION

In July 2006, the Office of General Counsel was re-structured effective 1st November, 2006 resulting in the creation of a new Division referred to as "Policy and Legal Services". This change is driven by the fact core regulatory work demands have increased and it is anticipated that it will continue to do so. Hence, capacity to draw upon our front line regulators for project and policy work is reducing. This is a risk for the DFSA, because the quality of policy formulation and implementation is critical to our continued success and leadership reputation. The Policy and Legal Services Division is responsible for delivering high quality policy advice to the Board and Executive of the DFSA and for

managing our in-house legal resources.

BUSINESS AS USUAL ACTIVITIES FOR 2007

Specifically, the mandate of Policy and Legal Services is:

Policy formation: To lead and manage regulatory policy formation and administration. The Division will be a dedicated, effective, creative and responsive internal resource to analyse, develop and administer macro and well as micro regulatory policy. The overriding aim, in this respect, is to ensure that the legislative and regulatory regime facilitates achieving our strategic policy objectives.

Legal advice: Policy and Legal Services must also provide legal advice of a high quality in response to requests from the Chief Executive and Divisions, according to agreed service standards and procedures.

DFSA administered legislation: Policy and Legal Services must also develop and maintain DFSA administered legislation⁽³⁾ (Laws, Rules and Policy Statements) to current international best practices. The DFSA publishes for public comment all proposed DFSA administered legislation, with a companion Consultation Paper, which explains the purpose and scope of the proposals. In addition, and where necessary, the DFSA consults with DIFCA on DIFCA administered legislation.

Rules and Waivers Committee (RAWC) and the Regulatory Policy Committee (RPC): Policy and Legal Services Division is responsible for managing the business of RAWC and RPC effectively, and in response to Regulatory Divisions and set

3. A list of Laws administered by the DFSA is attached in Appendix 8.

standards. The mandate of the RAWC is to consider and determine non-standard applications to waive or modify Rules and to discuss and determine whether policy issues arising in the course of dealing with these applications require submission to the RPC for further analysis and consideration. The mandate of the RPC is to consider policy proposals for changes to relevant legislation or the DFSA Rules or Policy and to review proposed new or amended legislation, Consultation Papers and Policy Statements prior to submission to the Legislative Committee (for a description of the Legislative Committee, please refer to Appendix 6).

Published materials and website: Policy and Legal Services Division is responsible for ensuring that all published materials and all website content are legally accurate.

IMPROVEMENT GOALS FOR 2007

Policy formation and administration: Policy and Legal Services Division will commence a review to ensure that it is adequately resourced to deliver against its mandate and it will evaluate its mandate, functions and the composition of all DFSA Committees that impact on policy formation or policy administration (notably RAWC and RPC). The Division will seek to develop an effective, proactive as well as reactive regulatory policy formation and administration function. In particular, it intends to develop an effective benchmarking process to monitor and reflect emerging international best practices for integrated financial markets. The work in this respect is expected to be finalised in the first quarter 2007.

Remediation following self-assessments:

In the past year, the DFSA undertook self-assessments against the core principles of the IAIS, BCBS, IOSCO and FATF. In 2007, a review is expected to be undertaken and concluded by the IMF and World Bank under the Financial Sector Assessment Program (FSAP). The DFSA anticipates that this review will enable the DFSA to identify other improvement opportunities. Policy and Legal Services Division undertakes to facilitate all legislative enhancements identified in the IOSCO, Basel, IAIS and the FATF self-assessments and those identified in the IMF and World Bank FSAP review.

Training: Policy and Legal Services Division undertakes to provide updates and in-house training on the Legislation and Rules administered by the DFSA.

DIVISION PRIORITIES FOR 2007

Legislative / Rule amendments: This Business Plan includes specific changes to DFSA policy that are likely to result in amendments to DFSA administered legislation. These include amendments related to Corporate Governance for Authorised Firms and Reporting Entities, the Islamic Finance Initiative, Basel II, prudential Rules (Basel II) on Insurance, Trust Services Providers and Hedge Funds code of conduct, Family Offices, the Data Collection and the Dissemination Framework / XBRL. For each of these initiatives, Policy and Legal Services Division will be involved in the required benchmarking exercise and gap analysis (if required), as well as the drafting of potential Law/Rule amendments, the issuance of policy statements of consequential Law/Rule amendments, as well as guidance.

Inter-agency/outreach program: The Policy and Legal Services Division is responsible for the development of an effective inter-agency and outreach program that consists of the following elements. Firstly the DFSA intends to propose seminars and discussions with a regulatory focus involving UAE agencies which carry out parallel regulatory functions to the DFSA. The Division will also examine if there is scope for a broader outreach program to other agencies in the UAE and regionally.

Policy statement re “in or from the DIFC”: The Policy and Legal Services Division will develop a policy statement intended to clarify the jurisdictional reach of the DFSA administered legislation in relation to cross-border transactions. The policy statement is intended to be completed during the second quarter of 2007.

Regulatory Assessment Process (RAP): Under the RAP program, jurisdictions are reviewed and subject to a risk assessment. The DFSA determines whether applicant Firms branching in from another jurisdiction or applicants for Recognised Member status are from a jurisdiction that has sufficient regulatory equivalence. This is done by assessing those jurisdictions against relevant international standards. Policy and Legal Services Division will prioritise RAP assessments according to Divisions’ need (mainly Authorisations in view of new Firms coming to the DIFC). In addition, the Division will develop a process to keep past assessments current.

Family Offices: The Policy and Legal Services Division will have a watching brief on the recently announced “Family Office” initiative by DIFCA and will pay particular attention to the possible necessity for further Anti-Money Laundering upgrades

in its regime and it will coordinate DFSA’s regulatory role, if any.

HUMAN RESOURCES (HR) UNIT

BUSINESS AS USUAL ACTIVITIES

Human Resources is responsible for the DFSA’s human capital. Specifically, this involves:

Recruitment: To recruit high-calibre candidates for each DFSA vacancy and to manage the recruitment and selection process.

Employee development: To ensure that employees maintain and enhance their skills and knowledge to maximise their individual contribution to DFSA performance in the short-term and also for the future development of the DFSA and themselves. Specific education initiatives regarding Hedge Funds, Islamic Finance and Commodities will be scheduled. Further, HR will initiate a Training Needs Assessment (TNA). Each employee will have the opportunity to undertake continuing professional development (appropriate to their needs) of not less than 3 days each year.

Employee relations: To support the maintenance of a productive work environment.

Performance management: To administer the Performance Management System (PMS), ensuring that employees are appropriately appraised and rewarded and that specific training and development needs are addressed. All employees have agreed Key Performance Indicators

(KPIs), which are aligned with both Division and DFSA Objectives and are appraised in accordance with the PMS. The performance of all employees is assessed against a common standard and employees are rewarded appropriately as a result of their overall performance.

Employee administration: To administer employee records in an efficient manner and maintain records to enable reporting to management.

Tomorrow's Regulatory Leaders: The HR function, and specifically the TRL Manager within the HR Division, is charged with the overall responsibility for the development and delivery of the TRL Program. It is also responsible for the further development of the program based on experience with the first cohort, refer to the TRL section.

During 2007, HR will progress 2 major initiatives - Automation of HR (further development of the HR Gulf tool) and enhancing the staff selection process.

COMMUNICATIONS AND STRATEGIC PLANNING UNIT

BUSINESS AS USUAL ACTIVITIES

The Communications and Strategic Planning Unit provides support to the regulatory functions of the DFSA. In particular, it helps to promote public understanding of the regulation of the financial services industry in the DIFC and fostering the development of the DIFC and of the DFSA's Objectives and work.

The Unit's responsibilities fall into 6 distinct areas and these are:

Chairman and Chief Executive support: To provide support to the Chairman and Chief Executive as such relates to media, conference and event support.

Internal communications: To ensure that the DFSA Executives are informed of key developments.

Media: The Communications and Strategic Planning maintains and develops the DFSA stakeholder policy, is responsible for development of the DFSA "brand reputation" and for the communication of the Vision, Mission, Values and Regulatory Approach. Managing media relationships and tracking and evaluating media coverage are a critical part of this.

Website: The Unit heads the community of interest group which is charged with maintaining the DFSA website in terms of content and accuracy, which supports the promotion of public understanding via easily accessible information. The DFSA monitors the number of hits to its website.

Conferences and events: Communications and Strategic Planning identifies, screens and manages the events and conferences which add value to the DFSA's Mission.

Early warning system: Communications and Strategic Planning monitors various information sources to detect issues of relevance as they relate to the DFSA regulatory functions, this includes web-based search and specialist media services.

IMPROVEMENT GOALS FOR 2007

In-sourcing: The Unit is planning to in-source media distribution currently outsourced to a local PR company.



Website: The website content will be both updated and improved.

DFSA presentation material: To assist in the work we do in the field of inter-agency activities and to promote public understanding, the DFSA needs to create a stock of frequently updated presentation material which can be made available to the public and stakeholders. This will be achieved by creating a central store of 'public domain' material augmented by a tailor-made approach to presentation material at Divisional level.

UNIT PRIORITIES FOR 2007

Enquiries and complaints unit: We will review the establishment of a dedicated Sub-Unit to handle all general enquiries. Additionally, any complaints received will be processed by this Sub-Unit.

Communications strategy: A cohesive communications strategy will be implemented and will focus on developing, among other things, initiatives:

- to promote stakeholder and general public understanding of the regulation of the financial services industry in the DIFC;
- to foster the development of the DIFC as a respected financial centre;
- to increase the understanding of, and support for, the implementation of the DFSA's Thematic Areas; and
- to promote and advance common understanding and co-operation with regulatory counterparts and relevant Government agencies within and outside the greater UAE.

This will be prepared in early 2007.

Enhance market intelligence: Market intelligence has a DFSA-wide impact and this Plan contains a number of references to Divisional work being done. The Executive Committee of the DFSA agreed that the DFSA should improve its collation and use of market intelligence and required a cohesive approach, since this impacts many of the DFSA regulatory and support staff. The DFSA has identified significant benefits arising from increased involvement with associations and groups which are active within the UAE and the region. Examples include, compliance and risk managers meetings, business as usual activities such as meetings with Authorised Firms, and professional bodies such as the DIFC corporate governance institute "Hawkamah". The Communications and Strategic Planning Unit is involved in this process given its DFSA-wide impact and since it is building an 'early warning system' (described above in this section) and receives information from various agency sources to collect information, which may be relevant to the DFSA's Regulatory Divisions or reputation.

Program of engagement: The DFSA Business Plan workshop, held in September 2006, identified a need to establish a program of engagement with key policy makers abroad. Communications and Strategic Planning has been requested to review this and prepare a concept paper, strategy and approach.

OPERATIONS UNIT

The Operations Unit is headed by the Chief Operating Officer (COO) and comprises 4 Sub-Units, namely Management and Administration, Finance, Projects and Risk Management and Information Technology. The Operations Unit is responsible for internal infrastructure, relating to office accommodation and supplies, physical and IT security, IT policy, health and safety and all support services normally associated with state-of-the-art offices, IT and telecommunications support.

IT: The IT Sub-Unit manages the policy, IT security, operations and developments in terms of DFSA applications, servers, firewalls, as well as sound data back-up. The Sub-Unit manages all IT requests and provides a thorough screening process via the IT Steering Committee. Also, the IT Sub-Unit provides essential support to the Regulatory Information System (RIS) which is a primary regulatory database which supports the capture, management and retrieval of the information, that is central to the role of the DFSA. In addition, the system facilitates group working thereby increasing the efficiency of DFSA staff. The system enables the production of reports that support the business in making decisions, in tracking business performance and in providing a concise view of the business status at any time. This is being upgraded and enhanced as RIS Version 2.

PROJECT AND RISK MANAGEMENT: This Sub-Unit provides significant support services to the regulatory activities of the DFSA. It contributes to the DFSA's Objectives as they relate to efficiency, effectiveness and risk-based regulation.

This includes, providing Performance Improvement leadership inclusive of reviews, identification and implementation of improvement opportunities and on-going support on Continuous Improvement; acting as the DFSA Project Management Office for all cross-departmental projects sponsored by members of the Executive Committee; design, implementation and monitoring of Risk Management practices across the DFSA and design, implementation and monitoring of Internal Audit procedures across the DFSA. Three significant areas deserve to be mentioned specifically here:

- **Business Continuity:** In 2007, we will design and maintain a DFSA Business Continuity Plan primarily designed to protect against the sudden loss of access to the DFSA premises or to DFSA systems necessary to conduct business caused by disasters, and to minimise the impact if such an event does occur.
- **Audit:** In 2007, the Projects and Risk Management Sub-Unit will design and maintain DFSA Internal Audit Policies and Procedures with oversight from the Audit and Risk Committee.
- **Project Management:** The Projects and Risk Management Sub-Unit will design and maintain DFSA Project Management Policies and Procedures. It will provide leadership for the improvement and expansion of Project Management throughout the DFSA through training, communication and mentoring. Also, the Sub-Unit will act as a Project Management Office providing leadership on cross-departmental DFSA Projects.

FINANCE: The Finance Sub-Unit has responsibility for a range of services from statutory financial reporting, budgets, forecast and bank processing activities, including the payroll. Finance ensures DFSA financial resources are used wisely and constantly monitors the DFSA's cash flow, balance sheet changes and variances to planned activities.

ADMINISTRATION: The COO and Administration Sub-Unit undertook a major design change and refit of the DFSA's location to provide an improved and expanded layout which is able to accommodate a further 18 staff members, with 2 additional meeting rooms and an internal facility for special events.

UNIT PRIORITIES FOR 2007

The Operations Unit has the following tasks for 2007 (both business as usual and improvement goals included):

IT

- Maintenance of IT systems and respond to ad-hoc requests for assistance with IT/telephones/printers within the Service Level Agreement timeframe;
- Assist with further development of the approved Document Management System;
- Manage the development, maintenance and enhancements to the public access areas of the DFSA website;
- Ensure that Warning Alerts are placed as required on the DFSA website (for more information please refer to the Enforcement section under the header "public warnings");
- Ensure enhancement of the database

to supplement Regulatory Information System (RIS) and service Divisional functionality;

- Enhance the functionality of RIS, as requested from time- to-time, to meet the business process needs;
- Delivery of contact management software; and
- Provide the required technical assistance with all approved IT related projects which form part of the Business Plan.

Projects And Risk Management

- Documentation and implementation of Business Continuity Plan and obtain approval for DFSA Business Continuity Plan from Audit and Risk Committee;
- Documentation and implementation of Risk Management Policies and Procedures and obtain approval from the Audit and Risk Committee;
- Documentation and implementation of Internal Audit Policies and Procedures and obtain approval from the Audit and Risk Committee; report to Audit and Risk Committee on findings from Internal Audit;
- Assist with process improvement providing the support required to review the current processes and identification of improvements;
- Assist with project management and support of all approved Divisional projects and Business Plan initiatives;
- Assist the Divisions with preparation for internal audit review (s) and other ad-hoc reviews, as appropriate (e.g.

IOSCO, IMF visit);

- Assist with enhancing the risk framework and finalising a Divisional “Performance Scorecard”; and
- DCDF and XBRL - Manage the DCDF project to ensure all tasks are completed and where appropriate, the system be implemented within the agreed timescales.

Finance

- Electronic access to budget and actual income and expenditure, forecast exception reporting and analysis;
- Timely provision of Management Information System (MIS) reports in relation to the budget v’s actual and support in preparation of budgets, as appropriate; and
- Ensure that annual fees for AFs and ASPs are calculated and invoiced in a timely manner.

Administration

- Efficient supply and maintenance of business services and equipment respectively and overall effective operation of DFSA premises.

APPENDICES

APPENDIX I - STATUTORY OBJECTIVES AND GUIDING PRINCIPLES

DFSA's core mandate derives from the Regulatory Law 2004 which prescribes the following statutory objectives:

- to foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;
 - to foster and maintain confidence in the financial services industry in the DIFC;
 - to foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;
 - to prevent, detect and restrain 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;
 - to protect direct and indirect users and prospective users of the financial services industry in the DIFC;
 - to promote public understanding of the regulation of the financial services industry in the DIFC; and
 - to pursue any other objectives as the Ruler may from time-to-time set under DIFC Law.
- fostering the development of the DIFC as an internationally respected financial centre;
 - co-operating with and providing assistance to regulatory authorities in the UAE and other jurisdictions;
 - minimising the adverse effects of the activities of the DFSA on competition in the financial services industry;
 - using its resources in the most efficient way;
 - ensuring the cost of regulation is proportionate to its benefit;
 - exercising its powers and performing its functions in a transparent manner; and
 - complying with relevant generally accepted principles of good governance.

In exercising its powers and functions, the DFSA is obliged by the Regulatory Law to take account of the following guiding principles:

- pursuing the objectives of the DIFC as set out under Dubai Law in so far as it is appropriate and proper for the DFSA to do so;

APPENDIX 2 - KEY MILESTONES IN 2006

POLICY AND LEGISLATION

- DFSA introduced a regulatory regime for Collective Investment Funds, Investment Trusts and Real Estate Investment Trusts (REITs) including risk-based regulation of Hedge Funds;
- DFSA announced a major Islamic initiative with the Malaysian Securities Commission to remove regulatory barriers to Islamic finance transactions between the DIFC and Malaysia;
- DFSA introduced a regulatory regime for Trust Service Providers;
- DFSA streamlined the regime for Ancillary Service Providers and Licenced Representatives;
- DFSA introduced a risk-based registration regime for Auditors of regulated entities; and
- DFSA reduced post-listing sponsorship requirements.

INTERNATIONAL RELATIONS AND ENFORCEMENT

- DFSA became the signatory to a International Organisation of Securities Commissions (IOSCO) MMoU - a GCC first;
- DFSA signed 9 bilateral MoUs with regional and international regulatory counterparts;
- DFSA assisted the Japanese Financial Regulator to close an investment scam; and
- DFSA accepted an enforceable undertaking and obtained a court

injunction from companies and individuals falsely representing regulatory status.

RECOGNITION AND AWARDS

- DFSA was awarded the "Best Government Initiative of the Year" by the Society of Trust and Estate Practitioners (STEP) for development of the DIFC Trust Law;
- DFSA was awarded "Regulator Initiative of the Year" by Policy Middle East Insurance for excellence in the region's insurance industry; and
- DFSA was appointed a member of the International Association of Insurance Supervisors Technical Committee. The DFSA was chosen to host the 2010 IAIS annual conference; and
- DFSA Enforcement Division was awarded 2 trophies; one from Dubai Police Academy and one from the Department of State Security, Dubai Police.

GROWTH

- DFSA licenced 125 entities by year end 2006;
- DFSA recognised NYMEX and COMEX; and
- DFSA expanded its staff to 99 employees by year end 2006.

EDUCATION AND COMMUNITY OUTREACH

- DFSA launched “Tomorrow’s Regulatory Leaders Program” for UAE nationals;
- DFSA signed a MoU with Public Prosecution - Dubai; held joint training seminars with the Dubai Police Academy and Emirates Securities and Commodities Authority on Combating Financial Crime. Two senior Dubai Police officials were seconded to the DFSA’s Enforcement Division;
- DFSA hosted training for Members of IOSCO’s African and Middle East Committee; and
- DFSA participated in Financial Services Volunteer Corps (FSVC) initiatives.

APPENDIX 3 - MEMORANDA OF UNDERSTANDING

- Financial Supervision Commission (FSC) of the Isle of Man
 - Insurance and Pensions Authority (IPA) of the Isle of Man
 - Emirates Securities and Commodities Authority (ESCA) of the UAE
 - Dubai Police
 - Capital Markets Board (CMB) of Turkey
 - Commodity and Futures Trading Commission (CFTC) of the USA
 - Financial Services Authority (FSA) of the UK
 - Securities and Exchange Commission (SEC) of Thailand
 - Jersey Financial Services Commission (JFSC)
 - Financial Supervisory Commission (FSC) of South Korea
 - Insurance Commission (IC) of Jordan
 - Public Prosecution - Dubai
 - Securities Commission (SC) of Malaysia
 - Capital Market Authority (CMA) of Egypt
 - Australian Securities and Investments Commission (ASIC)
 - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of Germany
- The DFSA is a signatory to the IOSCO MMoU. Being a signatory to the IOSCO MMoU means that the DFSA effectively has an MoU with the following regulatory authorities that are also signatories to the MMoU:
- Alberta Securities Commission (ASC)
 - Commission Bancaire et Financière of Belgium
 - British Columbia Securities Commission (BCSC)
 - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of Germany
 - Denmark Financial Supervisory Authority (DFSA)
 - Autorité des marchés financiers of France
 - Capital Market Commission (CMC) of Greece
 - Securities and Futures Commission (SFC) of Hong Kong
 - Hungarian Financial Supervisory Authority (HFSA)
 - Securities and Exchange Board of India (SEBI)
 - Financial Supervision Commission (FSC) of the Isle of Man
 - Israel Securities Authority (ISA)
 - Commissione Nazionale per le Società e la Borsa of Italy
 - Jersey Financial Services Commission (JFSC)

- Lithuanian Securities Commission (LSC)
- Malta Financial Services Authority (MFSA)
- Comision Nacional Bancaria Y De Valores (CNBV) of Mexico
- Nigerian Securities and Exchange Commission (NSEC)
- Securities Commission (SC) of New Zealand
- Ontario Securities Commission (OSC)
- Comissão do Mercado de Valores Mobiliários (CMVM) of Portugal
- Polish Securities and Exchange Commission (PSEC)
- Autorité des marchés financiers of Québec
- Monetary Authority of Singapore (MAS)
- Financial Market Authority (FMA) of Slovakia
- Financial Services Board (FSB) of South Africa
- Comisión Nacional del Mercado de Valores (CNMV) of Spain
- Securities and Exchange Commission (SEC) of Sri Lanka
- Capital Markets Board (CMB) of Turkey.

APPENDIX 4 - MEMBERSHIPS OF STANDARD SETTING BODIES

Islamic Financial Services Board

- Working Group on Special Issues in Capital Adequacy and Governance of Islamic Investments; and
- Corporate Governance of Takaful Operations.

International Association of Insurance Supervisors

- Technical Committee;
- Insurance Fraud Sub-Committee;
- Reinsurance and other forms of Risk Transfer Sub-Committee;
- Implementation Sub-Committee; and
- Financial Conglomerates Sub-Committee.

International Organisation of Securities Commissions

- Associate Members of IOSCO;
- African and Middle East Regional Committee;
- Member of the IOSCO MoU Monitoring Group; and
- IOSCO Implementation Taskforce.

APPENDIX 5 - DFSA BOARD MEMBER BIOGRAPHIES



Dr. Al Mulla is a distinguished lawyer and the Chairman of the DFSA. Dr. Al Mulla was the architect of the legal structure which led to the establishment of the DIFC as the

first financial free zone in the UAE. That legal structure included a constitutional amendment, the enactment of a Federal and a Dubai law. He led the discussions with the Federal Government of the UAE which paved the way for the enactment of the Financial Free Zones Law and the establishment of the DIFC. Dr. Al Mulla was also the Chairman of the Legislative Committee of the DFSA. In this capacity he led the preparation and the enactment of all laws regulating financial and related ancillary services conducted in or from the DIFC.

Dr. Al Mulla was a member of the UAE Federal National Council (2002-2005); Director, Institute of Advanced Legal and Judicial Studies (2000-2005); Chairman of the UAE Jurists Association (1994-1996). He is the Vice Chairman of the Board of Trustees of Dubai International Arbitration Centre, Member of the Board of Trustees of Dubai Ethics Resource Centre; Member of Economic Treaties and E-Commerce Committee of the Dubai Chamber of Commerce & Industry, Member of the Panel of Experts of the Broadcasting and Publications Standards Tribunal of TECOM; Member of the Board of Trustees of e-TQM college; Member of the Advisory Board of the Business School of the American University in Dubai. He is also a member in various arbitration centres including the Dubai International Arbitration Centre,

the China International Economic & Trade Arbitration Commission, London Court of International Arbitration, Korean Commercial Arbitration Board and the American Arbitration. Dr. Al Mulla is also the Managing Partner of Habib Al Mulla & Co., one of the most prominent law firms in the UAE.

Dr. Al Mulla holds an LLB in Shari'a and Law from the UAE University; LLM from Harvard Law School and a PhD from the University of Cambridge. He remains Fellow of the Chartered Institute of Arbitrators.



Abdullah M. Saleh (Deputy Chairman) is the Chairman of the National Bank of Dubai (NBD), having been one of its founders in 1963 and it's Managing Director from 1982 until his

retirement in January 2004. Mr. Saleh is a former adviser on financial matters to the Late Ruler of Dubai, His Highness Sheikh Rashid Bin Saeed Al Maktoum. Mr. Saleh served as an Arbitrator on the Paris-based High Board of the Euro-Arab Arbitration Centre, from 1988 to 2000. He is a Board Member of the Dubai Chamber of Commerce and Industry (DCCI) and a Member of the DCCI Arbitration Committee. He has been a Member of the Board of Qatar Fuel Additives Company (QAFAC) since 1990 and has been Chairman of International Octane Limited (IOL) also since 1990. In 1979, he became a Founder Member of the Board of Dubai Cable Company (DUCAB) and served as a Chairman until 2001 - he continues to serve as a Member of the Board of

Directors representing the Government of Dubai. He is a Director and major shareholder of Dubai Transport Company LLC., (DUTCO) the holding company of the DUTCO Group of Companies. He has been Chairman of MARSH INSCO (insurance brokers) since 1976.

He was educated in Sharjah and London, and attended the Institute of Bankers after completing his academic studies.



David Knott was appointed Chief Executive of the DFSA on 1 June 2005. Mr. Knott joined DFSA from Australia where he has held a number of senior regulatory positions. He served

as Chairman of the Australian Securities and Investment Commission (ASIC) for a 3 year term until December 2003. Previous roles in prudential supervision included CEO of the Australian Financial Institutions Commission (AFIC) and COO of the Australian Prudential Regulation Authority (APRA). He also served as CEO of the Commonwealth Funds Management Limited (CFM) and oversaw its privatisation. He was a Board member of the Australian Crime Commission, which has national responsibility for investigating organised crime.

During his Chairmanship of ASIC Mr. Knott also chaired the Technical Committee of IOSCO and represented it on the Financial Stability Forum. In his earlier career, Mr. Knott held a number of senior roles in law and investment banking.



The Hon. Apurv Bagri is the Managing Director of the Metdist Group of companies. He is a past Chairman of the International Wrought Copper Council which

represents the global copper fabricating industry, and a member of the Board of the Indo-British Partnership. He is Deputy Chairman of Governing Body of London Business School as well as Chairman of the School's Asia Board; and a member of the Governing Council of the City University, London and a visiting Professor at Cass Business School. He is a member of the Advisory and Management Boards of the Royal Parks; a Trustee of the Royal Parks Foundation; a Commissioner of the Crown Estate Paving Commission; and a Trustee of Asia House. He is a Member of the NSPCC Stop Organised Abuse Board. He is the Chairman of TiE Inc., a global non-profit organisation that promotes entrepreneurship and wealth creation.

Mr. Bagri is an honours graduate in Business Administration from the Cass Business School in London. In March 2006 he was awarded the Honorary Degree of Doctor of Science from City University London.



Michael Blair QC specialises in financial services law and practice, having joined his Chambers in Gray's Inn, London in 2000. For 13 years before that he held successive senior

positions in Regulation in the City of London, latterly as General Counsel to the Board of the Financial Services Authority. He is a Member of the Competition Appeal Tribunal and the President of the Guernsey Financial Services Tribunal. He has been elected to serve as the Deputy Treasurer of the Middle Temple, his Inn of Court, in 2007, and will thus be its Treasurer in 2008.

From 2000 to 2002 he was the Chairman of the 3 recognised self-regulating organisations for the UK financial services industry; Investment Management Regulatory Organisation (IMRO), Personal Investment Authority (PIA) and Securities and Futures Authority (SFA). He served on the Bar Council for 10 years, including 4 years as Treasurer from 1994 to 1998. He was given the award of Queen's Counsel (Honoris causa) in 1996 and is the author or editor of a number of leading textbooks on UK financial services law.



Robert L. Clarke has extensive experience with banking laws and regulations and bank supervision, both in the United States and internationally. Mr. Clarke founded the Financial Services Section at Bracewell & Giuliani, LLP in

1973. He was appointed by President Ronald Reagan as US Comptroller of the Currency and at the end of his first term was reappointed by President George H. W. Bush. He served as Comptroller from 1985 to 1992 and during his tenure the agency supervised about 5,000 nationally chartered commercial banks. In March 1992 he rejoined Bracewell & Giuliani, LLP as Senior Partner and Head of its financial services practice. Mr. Clarke has served as a consultant to the World Bank and as Senior Advisor to the President of the National Bank of Poland, as well as advisor to a number of countries on their bank supervisory operations.

Mr. Clarke has an LLB from Harvard Law School and a Bachelor of Economics from Rice University.



Lord Currie of Marylebone has wide ranging experience in financial services, public administration and the education sector. In addition to serving on the Board of the DFSA, he is

Chairman of the Office of Communication (OFCOM), the new converged UK regulator for electronic communications, and also Dean of City University's Cass Business School, in the City of London.

He was previously Deputy Dean at London Business School and a Non-Executive Director of the Abbey National, as well as serving on the Board of the Office of Gas and Electricity Markets (OFGEM), the UK energy regulator, and a variety of other Government bodies.

His academic research is in the area of Regulation. In his earlier career he worked in financial services, and he has extensive consulting experience at Board level with major financial institutions.



Saeb Eigner is the Founder, President and CEO of Lonworld, a private finance, property and investment group. He is a Governor of London Business School, Founding

and Serving Chairman of its Middle East Regional Advisory Board. Formerly, a Senior Manager at ANZ Grindlays Bank PLC., in London, heading the Middle East and Indian Sub-Continent Division of the Private Bank, which he left to found Lonworld in 1992.

He holds a Masters Degree in Business Administration and a Masters Degree in Management from London Business School. He is the co-author of the management book "Sand to Silicon". He holds / has held a number of Board appointments in the areas of banking, strategy, education and investment.



The Earl of Home was appointed a Director of the DFSA on 23 February 2005. He has been Chairman of Coutts & Co. since 1 June 1999 and became Chairman of Coutts

Bank (Switzerland) Ltd., on 8 March 2000. He has wide experience of the banking sector and, having joined Morgan Grenfell in 1966, was appointed Director

of Morgan Grenfell & Co. Ltd., (now Deutsche Securities Ltd.) in 1972. He assumed responsibility for the international division of the bank in 1983. He was then appointed to a number of other international positions at Morgan Grenfell, becoming a Director of Morgan Grenfell Group PLC., in 1996 and Chairman of Deutsche Morgan Grenfell Group PLC., in 1999. Lord Home has held a number of non-executive and public positions including Director of the Agricultural Mortgage Corporation PLC., between 1980 and 1993, Chairman of Man Ltd., President of the British Malaysian Society (appointed in 2001) and Chairman of the Committee for Middle East Trade (retiring in 1992). He is an active member of the House of Lords and was a front bench spokesman on Trade, Industry and Finance until 1998. Lord Home was educated at Oxford University.



Robert Owen has wide-ranging regulatory experience, with particular exposure to the Asia Pacific region. He established the Securities & Futures Commission (SFC) in

Hong Kong and was appointed its Executive Chairman in 1989. Prior to this Mr. Owen was Director, Investment Banking, Lloyds Bank Group and Chairman and Chief Executive, Lloyds Merchant Bank. Earlier, he was a Director of Morgan Grenfell and Co., and served in the UK Treasury and Foreign Office. Since leaving the SFC, Mr. Owen has been Deputy Chairman of Nomura Asia Holdings Ltd., and Senior Adviser to Nomura International (Hong Kong) Ltd.; Member of the Council and

Regulatory Board of Lloyd's of London; Chairman of Crosby Ltd.; Chairman of Techpacific Capital Ltd., Chairman of the International Securities Consultancy Ltd., Director of Sunday Communications Ltd., European Capital Co. Ltd., and various other companies and investment funds. He is also Chairman of IB Daiwa Ltd., (a company listed on the Jasdaq market in Tokyo) and a Director of Singapore Exchange Ltd., and of Citibank (Hong Kong) Ltd.

Mr. Owen was educated at Oxford University.



J. Andrew Spindler is the President and CEO of the Financial Services Volunteer Corps (FSVC), a not-for-profit organisation, private-public partnership whose mission is

to help build sound banking and financial systems in transition and emerging market countries. Prior to his appointment in 1993, Dr. Spindler served as a Senior Vice President at the Federal Reserve Bank of New York, where he headed the Banking Studies and Analysis Function and Payments System Studies staff. While at the New York Fed, he helped develop the risk-based capital framework that has been adopted by bank supervisory authorities in most of the world's financial centres. He also served as the New York Fed's representative on the Basle Committee on Banking Supervision during 1991-93. Prior to joining the New York Fed 1985, Dr. Spindler held several international lending and strategic planning positions at the Continental Illinois Bank. Dr. Spindler has a PhD and MPA from

Princeton University's Woodrow Wilson School of Public and International Affairs, and a Bachelor's Degree in International Politics from Harvard College.



Georg Wittich has extensive regulatory experience of financial markets in particular from a European perspective. He established the Bundesaufsichtsamt für den Wertpapierhandel

(Federal Securities Supervisory Office) in Frankfurt and served as its President from 1994 to 2002. In 1998 Mr. Wittich was elected Chairman of the Forum of European Securities Commissions which played a key role to develop common standards for European capital markets. In IOSCO Mr. Wittich was Vice-Chair of the Technical Committee and Chairman of the Internet Project Team. Prior to this Mr. Wittich held various senior posts in the Federal Ministry of Finance in Germany in the area of international finance and securities markets and he was Financial Counsellor at the German Embassy in Tokyo (1983 to 1987). Mr. Wittich is a member of the International Advisory Council of the China Securities Regulatory Commission. Mr. Wittich graduated with Law degrees from the University of Kiel and undertook additional studies at the Ecole Nationale d'Administration in Paris.

APPENDIX 6 - DFSA BOARD COMMITTEES

LEGISLATIVE COMMITTEE

Michael Blair QC - Chairman

Robert L. Clarke

David Knott

Robert Owen

Joyce Maykut QC

Ermanno Pascutto - External Committee Member (See below for professional biography)

Georg Wittich

The primary function of the Legislative Committee is to assist the Board in discharging its policy-making function and legislative function, including the development of legislation related to the regulation of financial services and related ancillary activities conducted in or from the DIFC.

Ermanno Pascutto is a lawyer and a former senior securities regulator in Hong Kong and Canada. He specialises in securities matters involving the regulation of public companies and financial intermediaries including advising with respect to disciplinary and enforcement matters, licencing, listings, governance and takeovers. He is currently senior advisor to the USA law firm Troutman Sanders' Hong Kong Office and Counsel to a Canadian securities litigation boutique. He is a former Founding Director and Vice Chairman of the SFC, Hong Kong (1989 to 1994), COO of the Ontario Securities Commission (1984 to 1989) and Director of Market Policy of the Toronto Stock Exchange. In addition to practicing Law in Hong Kong and Canada, he is a Director

of Market Regulation Services Inc., and also consults to stock exchanges and securities commissions in Hong Kong, the Middle East and the Caribbean.

AUDIT AND RISK COMMITTEE

Abdullah M. Saleh - Chairman

The Hon. Apurv Bagri

R. Douglas Dowie - External Committee Member (See below for professional biography)

Saeb Eigner

The Earl of Home

J. Andrew Spindler

The primary function of the Audit and Risk committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the processes for identifying, evaluating and managing the DFSA's principal risks impacting financial reporting.

R. Douglas Dowie is the CEO of the National Bank of Dubai with global responsibility for the bank's affairs reporting to the Board. He is Chairman of NBD Properties and of NBD Securities, the brokerage arm. He is also a Director of NBD Investment Bank, NBD Trust Company (Jersey) Ltd., MARSH INSCO and a Member of the University Council of the British University in Dubai.

A career international banker with Standard Chartered Bank, Mr. Dowie's first assignment overseas took him to Aden in 1963 followed by assignments in the Middle East including

Lebanon, where he graduated from the Middle East Centre for Arabic Studies. He subsequently served in Libya, Iran and several of the GCC states. Mr. Dowie also served in the Far East with assignments in Hong Kong and Indonesia.

GOVERNANCE AND NOMINATIONS COMMITTEE

Saeb Eigner - Chairman

The Hon. Apurv Bagri

Lord Currie of Marylebone

The Earl of Home

David Knott

J. Andrew Spindler

The primary function of the Governance and Nominations Committee is to assist the Board in fulfilling its supervisory responsibilities in respect of the operations of the Board and its management, to identify individuals qualified to become Board Members, to develop a succession program and to develop and recommend to the Board a set of corporate governance principles.

REGULATORY APPEALS COMMITTEE

Robert Owen - Chairman

Michael Blair QC

Robert L. Clarke

John Holmes - External Committee Member (See below for professional biography)

Georg Wittich

The Regulatory Appeals Committee is established under Part 2 of the Regulatory Law 2004. It hears appeals from regulatory decisions made by the DFSA, and operates to ensure procedural fairness, objectivity and transparency in the decision making processes of the DFSA. Although it is established under the Regulatory Law, it has been given extended jurisdiction to hear appeals against certain types of decision made by the DFSA Executive under other legislation.

John Holmes has over 25 years of experience, both as a practicing solicitor and in management roles at Clifford Chance. Most recently, he was Managing Partner of Clifford Chance Middle East where he was responsible for the development and implementation of strategy and the management of the firm's offices and strategic associations. Prior to this, he was the Managing Partner of the firm's Moscow office, during which time he assisted with the implementation of the merger with Punder in Russia at the time of the firm's triple merger on 1 Jan 2000. Previous experience includes 7 years in Hong Kong managing the corporate and financial markets practice and 2 years in Bahrain. John also spent 2 years on secondment to a major multinational company in their European head office in Lausanne, where he was responsible for setting up the legal department for the newly created Europe, Middle East and Africa (EMEA) region and was the sole transactional lawyer. He practised in the London market for over 6 years where he specialised in a range of corporate and finance transactions. John is admitted as a solicitor in England and Wales, Hong Kong and the Australian Capital Territories.

REMUNERATION COMMITTEE

J. Andrew Spindler - Chairman

The Hon. Apurv Bagri

Lord Currie of Marylebone

Saeb Eigner

David Knott

Robert Owen

The primary function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities relating to all aspects of human resources at the DFSA, including performance and, compensation.

THE FINANCIAL MARKETS TRIBUNAL

The Financial Markets Tribunal was established under the Regulatory Law to serve as an independent and efficient expert tribunal to determine contraventions of DFSA administered legislation and related regulatory and commercial proceedings. It is a broadly empowered financial services markets tribunal with a remit and powers comparable to other international integrated financial services regulatory tribunals. The FMT is empowered to establish its own rules of procedure and may make a broad range of orders designed to address the needs of the DFSA and financial services industry in the DIFC. Decisions of an exchange may be appealed to the FMT. The decisions of the FMT may be appealed to the DIFC Court.

The FMT is operationally independent of the DFSA Board and Executive.

APPENDIX 7 - DFSA SENIOR MANAGEMENT BIOGRAPHIES



Jane Coakley - Managing Director, Authorisation Jane joined the DFSA in February 2005 as Managing Director, Authorisation to oversee the team responsible for

authorisation to carry on regulated activities within the DIFC. Jane's regulatory and industry experience includes senior positions at the Securities and Investments Board, London (both policy and supervision roles), Morgan Stanley (Executive Director) and, most recently before joining the DFSA, a non-executive role at the UK Financial Services Authority. Jane's education and qualifications include a BA degree in History (Trinity College, Washington DC including a year at St. Anne's College, Oxford), an MSc in Finance and Accounting (London School of Economics and Political Science), an MBA (INSEAD, France) and the Certificate in Securities and Financial Derivatives from the Securities Institute, in London.



Michael Zamorski - Managing Director, Supervision Michael joined the DFSA in April 2006 after a 29 year career with the US Federal Deposit Insurance Corporation (FDIC)

to oversee supervision of authorised Firms within the DIFC. As FDIC's Director of the Division of Supervision and Consumer Protection, he was responsible for overseeing the FDIC's bank supervisory activities for safety and soundness, as well as compliance and consumer protection

for the 5,200 institutions under its jurisdiction. Michael was a member of the Basel Committee on Banking Supervision, the prudential standard-setter for large, internationally-active banks, from 2000 to 2006. Michael holds a BS degree in Economics, conferred cum laude, from Villanova University, Pennsylvania and is a graduate of the American Bankers' Association's Stonier Graduate School of Banking.



Martin Kinsky - Managing Director, Markets Martin joined the DFSA in March 2006 as Managing Director, Markets and has overall responsibility for the DFSA's regulation

of the DIFX and other future exchanges that may receive authorisation to operate within the DIFC. Martin was previously a senior executive at the Australian Stock Exchange (ASX). Over a career at the ASX spanning some 30 years, Martin has gained wide ranging experience of the operations of the Exchange. He has held various positions at the ASX including Company Secretary and General Counsel as well as managing the Membership/ Intermediaries and Enforcement functions. Martin holds a Bachelor of Law degree from Sydney University, is a solicitor and has had a long involvement with industry associations aimed at fostering and developing commercial and corporate law communities in Australia.



Niall Coburn - Director (Acting Head) Enforcement. Niall has been with the DFSA since March 2003 as Director of Enforcement. Niall is responsible for undertaking the

enforcement activities on the part of the DFSA within the DFC. Prior to joining the DFSA, Niall was a Principal Enforcement Lawyer with the Australian Securities Investments Commission (ASIC) and lectured in law part-time at a number of Universities. He has conducted large-scale corporate investigations both in Australia and internationally. In 2002, Niall received an ASIC Australia Day Honour Medal for his work in corporate investigations. Niall is admitted as a Barrister of the High Court of Australia, holds a Bachelor of Law and Arts and a Master of Law from Melbourne University. He has published widely, in Australia and internationally, which include 14 articles and a reference book, "Coburn on Insolvent Trading, Global Investment Fraud and Corporate Investigations" published in 1999 with a second edition in 2002.



Ian Johnston - Managing Director, Policy and Legal Services. Ian is a well known and experienced international regulator who joined the DFSA, in November 2006,

to head up the newly created Policy and Legal Services Division. Ian was admitted to practice Law in Australia in the early 1980s and has spent most of his career in

the private sector. He held a number of senior positions within the AXA Group and was CEO of one of Australia's major Trustee Companies. During this time, Ian played a leading role in the Trustee industry and served on the National Council of the Trustee Corporations Association.

In 1999, Ian joined the Australian Securities and Investments Commission (ASIC) where he held the position of Executive Director, Financial Services regulation and spent several terms as an acting Commissioner. In 2004 Ian took up a position with the Hong Kong Securities and Futures Commission as a Special Advisor. Ian is a member and past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters (IOSCO, Basle Committee and IAIS).



Joyce Maykut QC

- General Counsel and Secretary to the Board. Joyce joined the DFSA in January 2004 as General Counsel after a 30 year legal

career in the public and private sector in Canada. As General Counsel, Joyce is the DFSA's senior legal adviser heading up international relations and the Board Secretariat. Joyce holds a Law Degree from the University of Alberta and was appointed Queen's Counsel in 1988. She was Vice Chair of the British Columbia Securities Commission for 14 years prior to joining the DFSA and was active in the Canadian Securities Administrators, Council of Securities Regulators of the Americas, North American Securities Administrators Association and IOSCO.



Jan Bladen - Chief Operating Officer
Jan joined the DFSA in February 2005 as Director for Risk Management and Special Projects and was promoted to Chief

Operating Officer in June 2005. Prior to the DFSA Jan spent 7 years with PricewaterhouseCoopers in both Geneva and Dubai as a member of the Global Risk Management Practice. Jan has also held managerial positions in other European countries and spent 3 years as a management consultant with McKinsey Partners. From 1998 to 2003 Jan was President of Executives International, a Swiss based business networking association of 300 members. In 2000 Jan was elected to the Committee of the British Swiss Chamber of Commerce and remains both a Councillor and Committee Member. Jan is fluent in English, French and Spanish and obtained an MBA (Summa cum laude) from Lausanne in 1993.



Gary Wallis - Head of Human Resources
Gary joined the DFSA in March 2006 as Head of Human Resources and is responsible for HR planning, management, policies

and practices. Gary has more than 25 years experience internationally including 9 years in the financial sector. He has previously worked in Dubai as Regional Head of HR for ABN AMRO and held a senior HR development role for HSBC. Gary has also been Global Head of HR

for Private Clients and Asset Management Business Unit based in Amsterdam. Gary holds a BSc degree in Political Science and is a Fellow of the Institute of Personnel Development.

APPENDIX 8 - LAWS

Regulatory Law No.1 of 2004

- The key law for regulation of financial and ancillary services communities in the DIFC
- Enacted 16 September 2004

Data Protection Law No. 9 of 2004

- Ensures that high principles of privacy are maintained in relation to the collection, maintenance and transfer of personal data
- Enacted 16 September 2004

Markets Law No. 12 of 2004

- Provides for the supervision of Authorised Market Institutions and reporting entities involved in the trading and offering of securities, derivatives and commodities
- Enacted 16 September 2004

Law Regulating Islamic Financial Business No. 13 of 2004

- Creates the regulatory framework for the conduct of Islamic financial business in or from the DIFC
- Enacted 16 September 2004

Trust Law No. 11 of 2005

- Creates a legal framework for trusts in the DIFC
- Enacted 9 November 2005

Collective Investment Law No. 1 of 2006

- Creates a legal framework for the regulation of collective investment funds
- Enacted 18 April 2006

Investment Trust Law No. 5 of 2006

- This will enable a trust framework for collective investment funds
- Enacted 1 August 2006.

APPENDIX 9 - SUMMARY OF INITIATIVES⁽⁴⁾

Thematic Areas

Compliance with international best practice

1. Actively tracking international developments and regulatory standards and launching an on-going benchmarking process;
2. Creation of corporate governance standards for Authorised Firms;
3. Review of corporate governance standards of Reporting Entities;
4. Creation of a Hedge Funds Code of Conduct;
5. Refinement of the DFSA risk framework in order to enhance measurement of risk in terms of impact and probability;
6. ***Islamic Finance:***
 - Short-term: enhancing customer and practitioner understanding of Islamic Finance through training, presentations and market awareness campaigns, creation of enhanced disclosure requirements;
 - Medium-term: alignment of regulatory requirements for Islamic finance with key centres of Islamic finance across the world;
 - Long-term: participation in dialogue, with national and regional governmental departments, regarding the possibility of Shari'a rulings harmonisation and centralisation;

Common understanding and co-operation

7. Issue guidance and public policy documents on the objectives and instruments of the DFSA risk framework, prudent use of website, media and direct communication with Firms;
8. Develop and enhance mechanisms to receive market intelligence and to undertake market monitoring;
9. ***Inter-agency / outreach program:*** Develop and maintain relationships with the regulatory and enforcement agencies of the UAE and the wider region under the "outreach" program;
10. Continue to aggressively pursue strong co-operative relationships with other regulators and the conclusion of Memoranda of Understanding;

4. The initiatives in ***bold italic*** are considered to be the 3 key corporate priorities as discussed in the "Statement by the Chief Executive". The fourth key priority is the TRL Program, which is discussed in the corresponding section in this 2007-2008 Business Plan. Specific regulatory and support actions are also listed in this Appendix as are risk

11. Creation of a program for communication at Board level with key government policy makers and creation of a program for communication with international standard setting bodies abroad on executive level. Increase contributions to international standard setting bodies where possible and relevant;

12. Active encouragement of visits by standards bodies;

Information Technology and Processes

13. Enhance market intelligence and information collection and management by commissioning the development of a highly sophisticated process for capturing intelligence;

14. ***Data collection and dissemination framework:*** Design and implementation of a system for electronic data collection, primarily for use in off-site monitoring of risk;

15. Review more closely the benefits of adoption of XBRL and consider a possible roll-out of XBRL in 2008; and

16. Review the need for a more sophisticated regulatory database (in view of increased trading volumes) will be reviewed in 2008.

Specific Regulatory Actions

Ancillary service providers follow-up: Conduct assessment to verify that former ASPs have not exceeded the boundaries of permitted unregulated services;

Audit registration: Design and implement a supervisory regime for Auditors;

Basel II implementation: Review requirements for implementation of Pillars 2 and 3 under the Basel Capital Accord to identify and implement rules changes as necessary. Develop supervisory processes and procedures as well as issuance of guidance to Firms;

Business process improvement initiative: Further rationalise DFSA's regulatory processes to remove unnecessary regulatory burden, speeding up the processes and to enhance risk focus;

Corporate governance: Review corporate governance standards for Authorised Firms and Reporting Entities;

Data collection and dissemination framework: Design and implement a system for electronic data collection, primarily for use in off-site monitoring of risk;

DIFX: Assessment of application for increase in licence to also include Derivatives;

Enforcement conference: Design, host and present a 3-day international Enforcement conference, in November 2007;

Financial investigations course: Develop a financial investigation course for investigators, government agencies and compliance officers, in the region.

FSAP: Undertake gap remediation on basis of Financial Services Assessment Program review conducted by the IMF and World Bank;

Hedge funds: Create a Code of Conduct for Hedge Funds;

Intelligence: Research and adopt a cohesive approach to collection and storage of intelligence;

Inter-agency / outreach program: Develop and maintain relationships with the UAE regulatory and enforcement agencies and the wider region;

Islamic finance: Align and streamline regulatory requirements with key Islamic centres around the world and enhance customer and practitioner understanding;

New supervision model: Create a supervision model for Commodities Exchanges and Derivatives Exchanges;

Recognition module (REC): Review of the REC so as to facilitate foreign Members of the Dubai Mercantile Exchange;

Risk framework: Implement improvement opportunities identified by risk assessment framework;

TRL program: Train and develop young Emirati graduates who have completed relevant tertiary education. There are currently 4 graduates in the program. In 2007, a further 4 to 6 will be admitted; and

Trust service regime review: Conduct a review to ensure that the supervisory oversight of Trust Services is robust in all areas of the regime.

Specific Risk Remediation Actions

Reputational risk

- Public understanding: The DFSA is implementing a range of initiatives to promote public understanding and further build its reputation as a world class regulator;
- Independence: The DFSA is legally and operationally independent of all other DIFC bodies, including DIFCA and this is an important factor in building relationships with other regulatory bodies, authorities and standard-setting bodies. The DFSA will ensure the various communications media used places an appropriate emphasis on this requirement. This is complementary to the DFSA's guiding principle of fostering the development of the DIFC as an internationally respected financial centre; and
- Business risks: The DFSA is progressively implementing measures under the oversight of the Audit and Risk Committee to detect and remediate unacceptable business risks.

Operational risk

- Recruitment and retention of staff: The recruitment and retention of high quality people to Dubai is a critical success factor and the DFSA has put in place measures to ensure it is able to offer interesting and challenging work, competitive conditions, succession planning and improvements to its recruitment processes;
- Business continuity and occupational health and security: The DFSA is in the process of finalising and testing its business continuity arrangements. Further, it has introduced a range of measures to ensure effective emergency evacuation procedures and physical and systems security;
- The DFSA will ensure it remains up-to-date in terms of developments in international best practice and has taken steps to further develop its policy research and analysis and market intelligence capabilities; and
- Office accommodation: The DFSA has expanded its office accommodation to allow for further recruitment of staff and to ensure its Executives derive the benefits associated with working in the same area rather than separate locations.

Systemic risk

- The DFSA is developing a range of initiatives to ensure it is able to co-operate with other UAE authorities and agencies to be able to effectively contribute in the event of a significant UAE-based situation or financial crisis.

Specific Support Actions

Automation of HR: Further automation of Gulf HR processes;

Business continuity plan: Documentation and implementation;

Enquiries and complaints unit: Incorporation of a unit that will handle all enquiries and complaints;

Family offices: Conduct a watching brief on the policy implications following the DIFCA announcement on the family office initiative;

Internal audit: Design and maintain DFSA internal audit policies and procedures;

IT: Develop a document management system and develop an MS Access database to be used to supplement the existing regulatory information system functionality;

Media distribution: In-sourcing media distribution currently out-sourced to a local PR company. Also, the DFSA aims to increase media coverage;

Policy: Develop a policy formation and administration function and developing an effective benchmarking process to monitor best practice standards;

Policy statement: Develop a policy statement intended to clarify the jurisdictional reach of the DFSA;

Project management: Design and maintain DFSA project management policies and procedures;

Regulatory assessment process: Develop a process to keep past assessments of other jurisdictions up to date;

Self-assessments: Following the FSAP review, Policy and Legal Services will rectify possible gaps identified by the IMF and the World Bank;

Staff-selection: Investigation of systems and processes to improve the staff-selection process; and

Website: Re-think and update the content of the website.

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