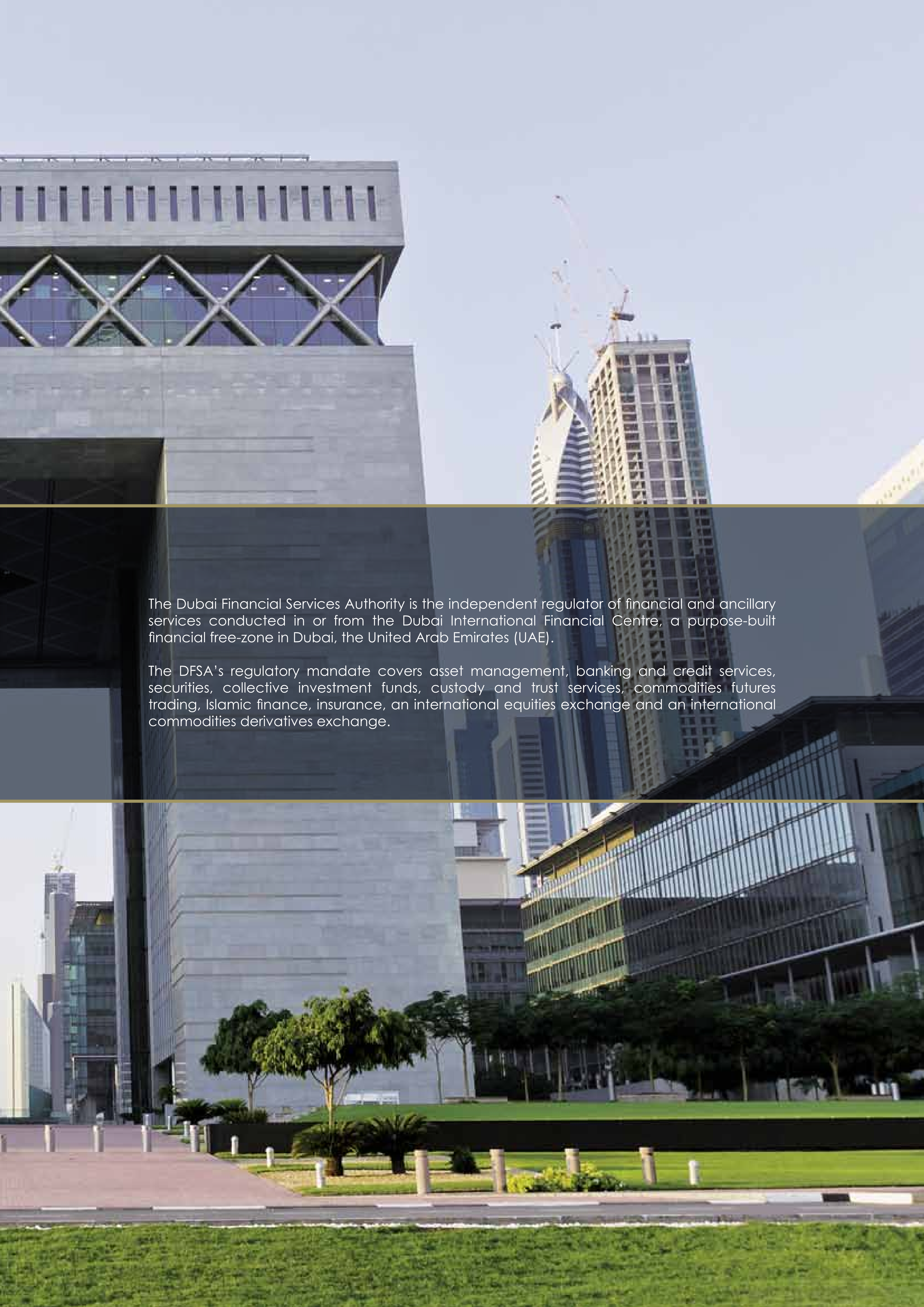
DFSA
Dubai Financial
Services Authority

ANNUAL REPORT 2011

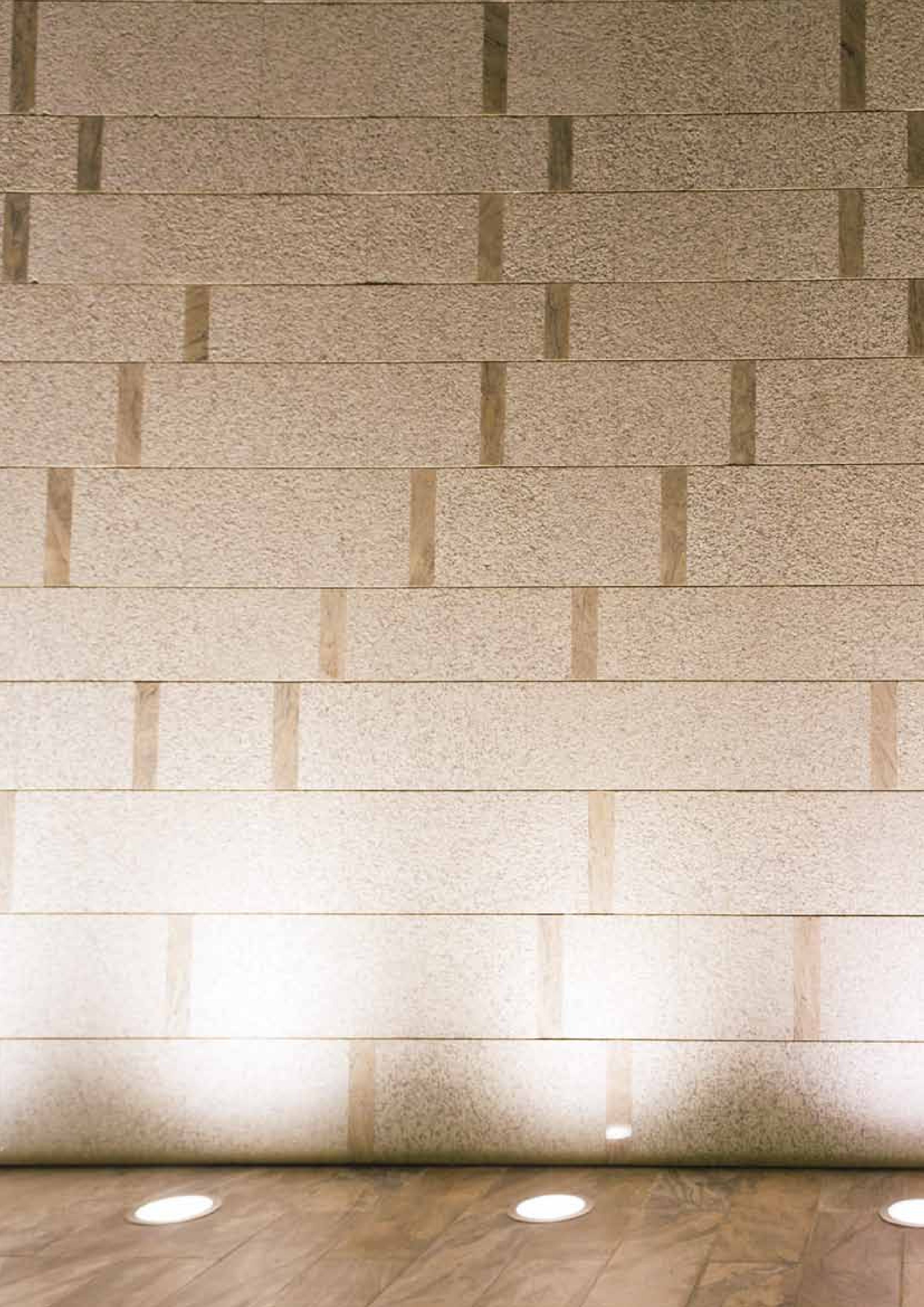
Article 11 of the Dubai International Financial Centre (DIFC) Regulatory Law, DIFC Law No 1 of 2004, requires the Dubai Financial Services Authority (DFSA) to provide the President of the DIFC with a written report on the exercise of its powers, performance of its functions and financial activities. The report is to be prepared as soon as reasonably practical in each financial year and to relate to the previous financial year. This is the DFSA's eighth annual report. It relates to the financial year ended 31 December 2011.

Log onto www.dfsa.ae for more information about the DFSA.



The Dubai Financial Services Authority is the independent regulator of financial and ancillary services conducted in or from the Dubai International Financial Centre, a purpose-built financial free-zone in Dubai, the United Arab Emirates (UAE).

The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange.



DUBAI FINANCIAL SERVICES AUTHORITY

VISION

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

MISSION

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

REGULATORY APPROACH

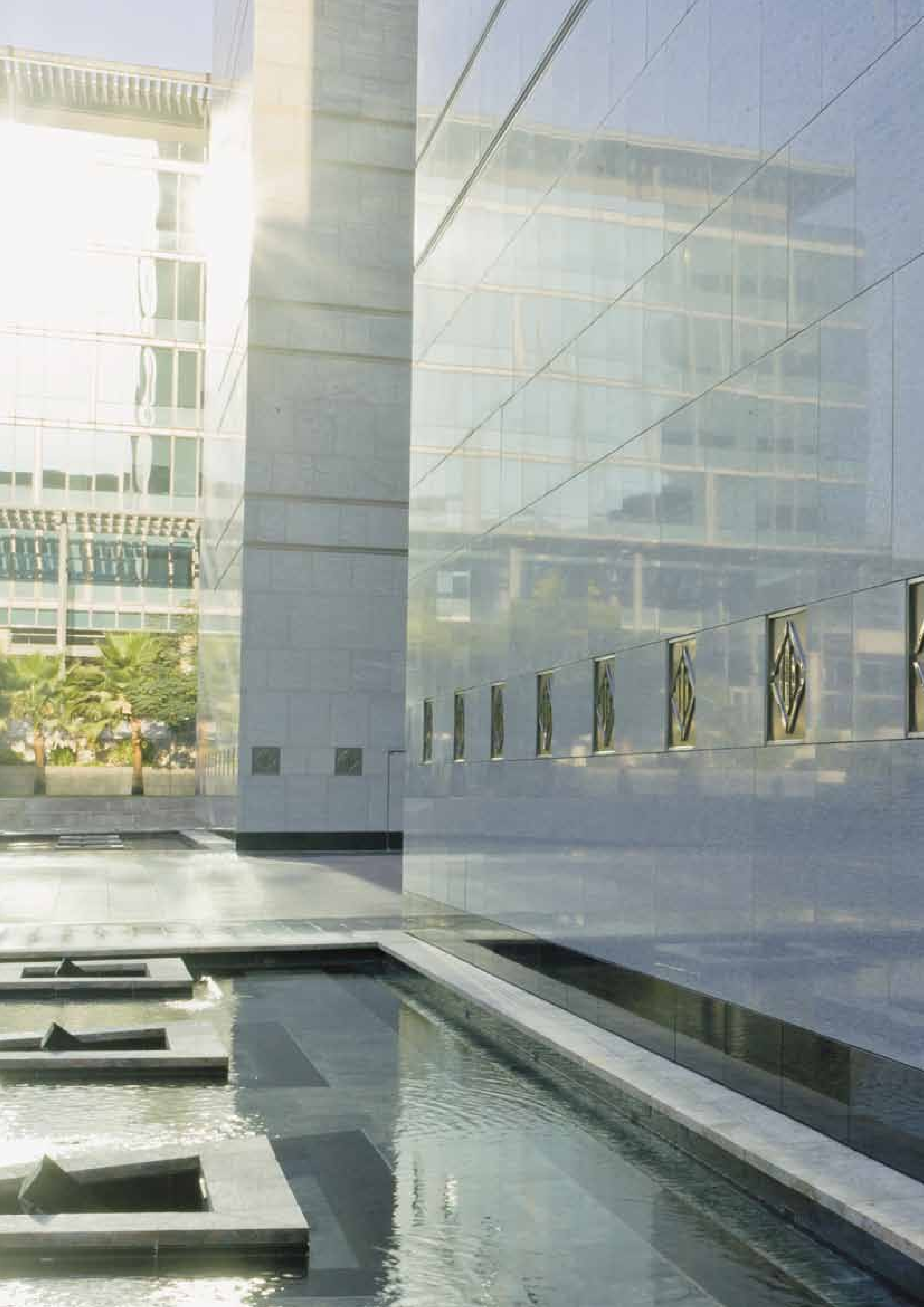
To be risk-based and to avoid unnecessary regulatory burden.

VALUES

To expect high standards of ethical conduct and integrity from the DFSA and its people.

To demonstrate professionalism, independence, efficiency, leadership and resolve in the discharge of our responsibilities.

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



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2011 HIGHLIGHTS

2011 HIGHLIGHTS

- In April, the Ruler of Dubai enacted amendments to the Regulatory Law 2004, which further enhanced the requirements and prohibitions relating to financial services marketing. The amendments, and the rules made under the law, now provide greater clarity as to who can make a financial promotion in the DIFC and under what circumstances. This allows the DFSA to have greater scope to bring an enforcement action in a financial promotion case when it deems it necessary to achieve its statutory objectives.

- In April, the DFSA signed a Memorandum of Understanding (MoU) with the UAE Insurance Authority, completing MoU arrangements with all federal financial regulators. MoUs are a sign of the DFSA's commitment to information sharing and co-operation in the supervision of financial institutions and a recognition by the counterparties of the quality of financial regulation provided by the DFSA.

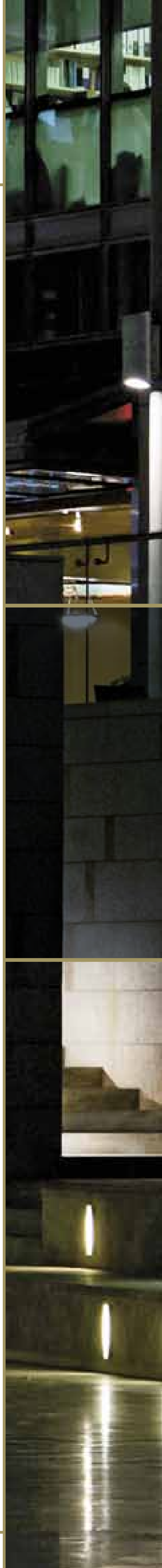
- In June, the DFSA strengthened ties with the Reserve Bank of India (RBI) by signing an MoU. In so doing, the DFSA became the first regulator, after the China Banking Regulatory Commission, to sign an MoU with the RBI.

- In July, the DFSA Board hosted a function for senior Swiss bankers and insurers as well as a member of the governing board of the Swiss National Bank. Members of the DFSA Board conducted a series of meetings at the Bank of International Settlements in Basel. They received briefings and shared views with the Deputy Secretary General of the Financial Stability Board (FSB), the Secretary General of the Basel Committee and the Deputy Secretary-General of the International Association of Insurance Supervisors (IAIS).

- In August, the Deputy Ruler of Dubai, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, in his capacity as President of the DIFC appointed Mr Saeb Eigner as the new Chairman of the DFSA. His Highness also appointed the existing DFSA Board Members for a further three-year term.

- In September, the DFSA announced that, with effect from 1 October 2011, the responsibility for maintaining the Official List of Securities was transferred from NASDAQ Dubai to the DFSA. In so doing, it is hoped that the transfer would result in the streamlining of the regulatory process for approving prospectuses and listing, for the benefit of issuers and investors.

- In November, the UAE Ministry of Economy and the DFSA jointly hosted the Second Regional Audit Conference entitled "Professional scepticism: raising the bar", in Dubai. Delegates were welcomed by HE Abdullah M Saleh, Governor of the DIFC, and heard keynote addresses from HE Yaser Abdalla Amiri, Director General of the Financial Audit Department and Member of the Executive Council, Government of Dubai.



STATEMENT *by the* CHAIRMAN

STATEMENT *by the* CHAIRMAN

This is my first Annual Report as Chairman of the DFSA. I am proud and privileged to be able to highlight some of our key accomplishments in 2011, as well as share our strategic goals for the forthcoming year.

The 2nd of December 2011 saw the UAE mark a milestone, celebrating 40 years as a stable, developing and progressive nation. The occasion provided ample opportunities for citizens and residents of all seven Emirates to unite in celebration and look to the future with pride and confidence, and to reflect on what it means to them to call the UAE their home.

I have witnessed a number of milestones in the UAE over the years, such as the foundation and development of the DIFC and its institutions the DFSA, the DIFC Courts and the DIFC Authority (DIFCA), responsible, respectively, as regulator, judiciary and developmental and promotional arm of the Centre.

I believe that the vision and aspirations of His Highness Sheikh Zayed Al Nayhan, the UAE's founding President, are being realised by the ruling family of each Emirate through their pursuit of economic diversification and by the provision of a safe and well-developed environment in which to live and work. The shape of the future economic and financial landscapes have been mapped out. I am confident that, following this path, the Emirates will sustain a healthy development and continue to show the way regionally and internationally through delivering world-class infrastructure, services and standards.

The DIFC was the vision of its founding President, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. He saw then the importance of an independent, strong and impartial regulator and judiciary as key foundations of an international financial centre. This vision is endorsed by the DIFC's current President, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, Dubai's Deputy Ruler.

The challenges currently faced by much of the world have prompted us to refine our goals and to devise plans to mitigate our risks and solidify our foundations. The DIFC and our financial community have shown resilience and strength through the current economic and financial turbulence. From my first hand observations, I know the Centre continues to grow in stature and is evolving as its expanding infrastructure strengthens the community feeling. We continue to attract leading and highly reputed international institutions to join our community. This is due, at least in part, to the transparent judicial system and to the DFSA's reputation as an independent, fair and respected regulator. We strive to ensure that we deliver market confidence and instil trust in the Centre.

The DFSA's reach has continued to expand in 2011. Our international activity now includes participation in the work of all the major standard-setting bodies, including the Basel Committee, the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the Islamic Financial Services Board (IFSB). Strengthening relationships with regional regulators and our federal counterparts remains a key priority. The DFSA has an MoU with all three federal supervisors, the Central Bank of the UAE (CBUAE), the Emirates Securities and Commodities Authority (SCA) and the UAE Insurance Authority.

The DFSA now has MOU's with 115 supervisors and regulators around the world, comprising both bi-lateral and multi-lateral signatories.

In 2011, the DFSA added 46 Authorised Firms (AFs) to its register, bringing the total number of licensed Firms to 336. Many of the Firms have deepened their commitment to the Centre by expanding their presence substantially. Sixteen of the world's top 20 banks, as well as the world's top accounting and legal Firms are represented.

In brief, let me share a few diary highlights:

- In June, the Board and the Senior Executive were represented by a delegation to Mumbai, meeting with the Board of the RBI and the Chairman of the Securities and Exchange Board of India.
- In July, the DFSA Board met in Switzerland and took the opportunity to meet senior Swiss bankers with links to the DIFC. We visited the Bank for International Settlements in Basel and held discussions with senior representatives of the Financial Stability Board, the Basel Committee and the IAIS.
- In September, I joined two fellow Board members and members of the Executive in Washington DC for discussions with government officials, regulators and firms. This coincided with the Annual Meetings of the International Monetary Fund (IMF) and the World Bank.
- In November, we collaborated on a major initiative with the UAE Ministry of Economy in co-hosting a regional auditors' seminar, in Dubai.
- In December, we started a series of high level monthly presentations to members of the Federal Cabinet as we try and increase awareness of the DFSA and its activities and of course of the Centre.

As we strive to maintain our high standards and to provide the clarity, balance and objectivity which are essential to maintaining trust and confidence in the Centre, we need to remain vigilant and conscious of the current economic and financial challenges which surround us. We need to identify potential risks and be ready to deal with them without imposing unnecessary burdens on our licensed Firms. I have set four high level strategic goals adopted by the DFSA Board:

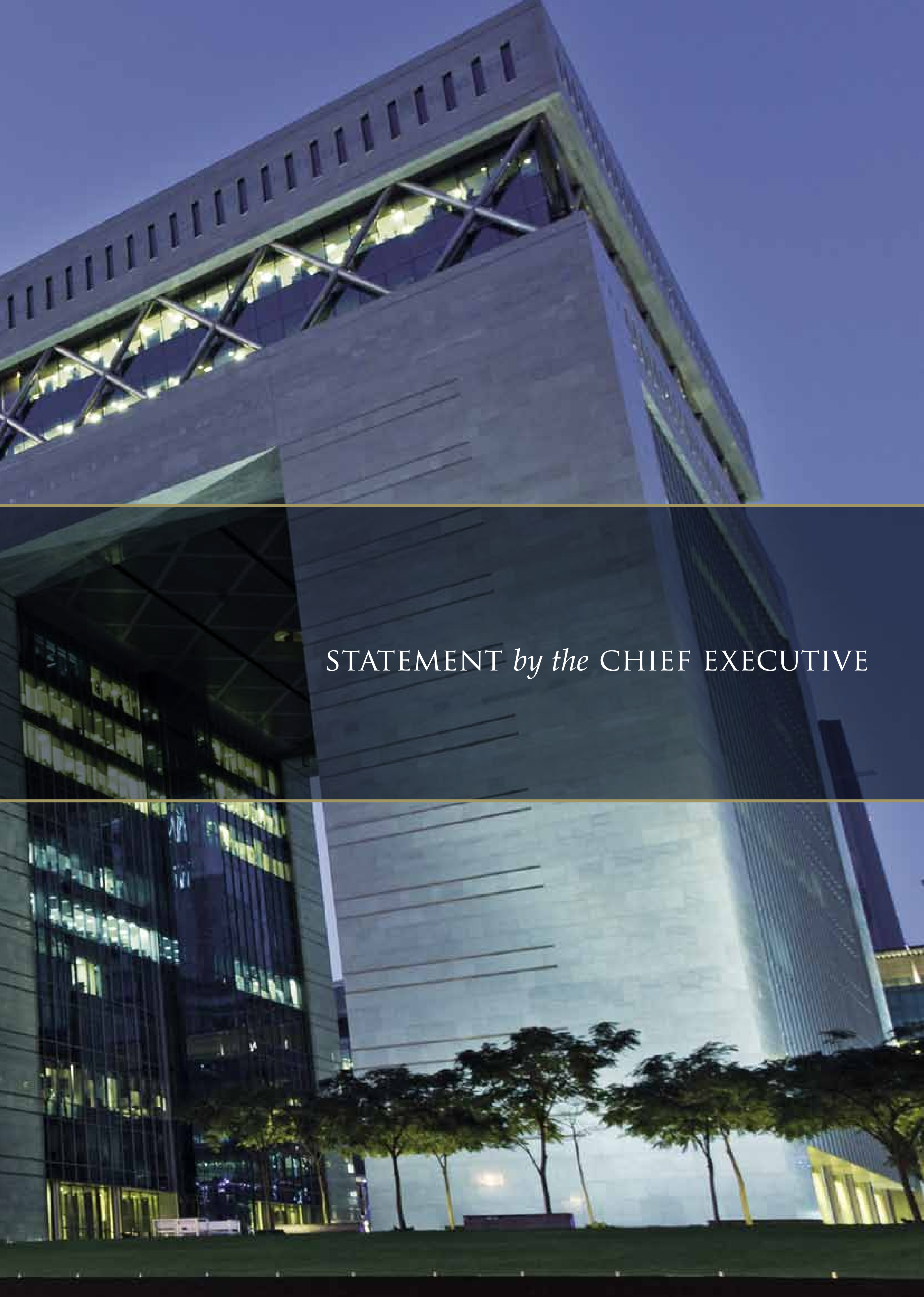
- Extending relationships with political and business leaders and fellow regulators in the UAE, with a view to enhancing our engagement with our local environment and assisting where we appropriately can (in training and joint enforcement, by way of example);
- Strengthening our high-level relationships with regulators and standard setters in international financial markets (such as the United Kingdom (UK), the United States (US), Continental Europe, Australia, China, Hong Kong, India, Japan, Singapore and other parts of Asia) and with international regulatory bodies around the world;
- Appropriately supporting the developmental and promotional endeavours of DIFCA; and
- Pursuing the long-term strategic objective of increasing the DFSA's financial independence.

In concluding, I would like to particularly thank my colleagues on the Board who have, amongst their many on-going duties and activities, been engaged in reviewing and challenging the Executive's plans and assisting the DFSA in many ways, including the building and maintenance of relationships around the world. Their dedication, hard work and wisdom are invaluable.

I turn now to our impressive international team at the DFSA, who come from all corners of the globe and include a talented cadre of Emirati nationals, largely home-grown in that they have graduated from our successful Tomorrow's Regulatory Leaders (TRL) Programme, now in its seventh year. I thank them all for their continued hard and effective work, perseverance and dedication to the success of the DFSA and DIFC. The Executive have continued to perform their regulatory functions effectively and efficiently and the organisation has operated in line with budget.

Finally, I want to extend my sincere gratitude to HE Abdullah M Saleh, my predecessor and now the Governor of the DIFC. Under his wise and skilful leadership, the DFSA has grown in reputation and stature into the organisation that it is today.

Saeb Eigner
Chairman



STATEMENT *by the* CHIEF EXECUTIVE

STATEMENT *by the* CHIEF EXECUTIVE

Risk-based supervision is the keyword that best describes our activities and focus in 2011. Whilst the challenges of the financial crisis continue to unfold, the DFSA and the regulated community of the DIFC have fortunately remained stable and resilient. The Centre saw solid growth in financial services activity in 2011 with the number of AFs growing to 270, up by 8%. Growth drivers included institutions from China and India, and the continued attraction of the DIFC as a global hub for servicing clients and businesses in the region, India and wider Asia and Africa. We have also noted a number of Firms upgrading their activities to add capital markets trading capability to take advantage of the DIFC's ideal time zone. We feel confident that this momentum, from these sectors, will be carried forward into 2012.

Regulators, across the globe, are adjusting to a supervisory approach that rests on a much deeper understanding of the business model of their regulated entities. To this end, we have invested in recruiting and training staff and have equipped them with the skills and qualifications to identify risk drivers in new products and activities, monitor the risk profile of Firms and mitigate potential vulnerabilities on a proactive basis.

Globally, the various regulatory standard-setters have been pursuing an aggressive agenda to enhance regulatory standards across all major segments of financial services regulation. The DFSA is an active participant in most of these initiatives, which have been spearheaded by the FSB, the Basel Committee, the IAIS and IOSCO across banking, insurance and securities segments of the financial services industry. We contributed to the development of the revised "Basel Core Principles for Effective Banking Supervision", the development of new standards for supervision of insurance companies, the finalisation of the methodology to assess new principles for regulating the securities industry and we are providing critical input for risk management and accounting standards in the Islamic finance industry.

Consistent with our mission, the DFSA commenced implementation of new standards in its regulatory framework, adhering to its risk-based approach, and avoiding as much as possible unnecessary cost and undue administrative burden to the regulated Firms. A significant initiative by the DFSA in 2011 was the commencement of our review to update prudential rules for AFs, excluding those involved in insurance business. The major component of this initiative involves the implementation of the new Basel III framework for capital adequacy and liquidity standards. The project also included measures to deliver a more robust set of risk

management standards as well as rationalising capital requirements and other prudential rules for non-banking Firms.

The DFSA continues to participate in supervisory colleges for internationally active Firms that have a material presence in the DIFC which further enhances our global supervisory co-operation. In addition, we also are an active member of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the IFSB and the Asian-Oceanian Standard-Setters Group (AOSSG), sitting on committees and working parties of each. We continued to be engaged in four working parties of the IFSB covering: Takaful risk management standards, revised capital adequacy standards, liquidity risk management and stress testing. Islamic finance will remain an important focus of interest for us as the Centre continues to evolve and grow.

We have continued to focus our efforts on active involvement in discussions with the Islamic finance industry, participating in the standard-setting bodies as well as in cross-border conferences throughout the year. Pages 49 to 56 of this Report have been dedicated to Islamic Finance, giving an overview of the Islamic finance industry, the issues facing regulators and a look ahead with some future scenarios.

The IMF and World Bank will be assessing the UAE under their Financial Sector Assessment Programme (FSAP) in late 2012. The DFSA and its regulatory regime will be assessed as part of the wider UAE Review. At the time of writing, we are in the process of completing a full self-assessment against the updated principles of the three standard-setting bodies in preparation for the IMF-World Bank's visit.

The focus of the global agenda on regulation was also reflected in the theme reviews conducted by the DFSA during 2011, as part of our supervisory approach. We are in the early phases of reviewing our rules for combating money laundering and terrorist financing, which will include a review of overall client application requirements with our Conduct of Business Rules. Our aim is to ensure that rules reflect best practice are consistent with the potential amendments to the Financial Action Task Force (FATF) 40+9 Recommendations. Any Amendments arising out of this review will be implemented in late 2012 or early 2013. Our aims are to ensure that rules reflect best practices and are consistent with the FATF 40 Recommendations against money laundering and 9 Special Recommendations to combat terrorist financing. FATF is currently considering amendments to the 40+9 Recommendations in the following areas: the risk-based approach in supervision; beneficial ownership of companies; politically exposed persons; data protection and privacy; wire transfers; and international co-operation. We will watch this area closely.

Related to the topic of combating money laundering and terrorist financing, on 27 December 2011, the DFSA became the regulator of all Designated Non-Financial Businesses and Professions (DNFBPs) operating in the DIFC. DNFBPs include real estate developers and agents; dealers in precious metals and stones; dealers in high value goods; lawyers, notaries, accountants, auditors and insolvency firms; company service providers; and single family offices. During 2012, the DFSA will manage a transition of these responsibilities from the DIFCA, including outreach and education. This transition will include information circulars, outreach sessions and visits to inform and educate the DNFPBs which will be followed by their registration during 2012. It is envisioned from 2013 it will be business as usual from a supervision perspective.

The challenges for 2012 and beyond will include a further deepening of cross-border co-operation between regulators and enhancing our risk-based approach as we respond to the demands of regulatory reform and a significant shift in global risks and risk appetite.

During 2011, we took an opportunity to benchmark our performance and regulatory progress with external stakeholders, and to do that we commissioned an independent survey, conducted by an international consulting firm, ChantLink. The survey was designed to gauge industry's perception of the DFSA's effectiveness across a broad range of issues. In order to guarantee the integrity of the process and to encourage frank and honest feedback, the identity of respondents was not disclosed to the DFSA. The process included extensive interviews of Chief Executives, compliance officers and the media, for instance, by our consultants who applied both qualitative and quantitative performance measurements in their methodology. The survey results will be made public in 2012 and will highlight the areas for improvement that we will address.

One message: The financial world should heed the ever-deepening dependence in today's world on Information Technology (IT) and the elevated risks that such dependence brings with it. Organisations must give increased attention to investment in IT infrastructure. Regular penetration testing will be required in order to strengthen resilience from external 'attacks' and devising back-up procedures and systems will become ever more essential. To that end, the DFSA performed both external and internal penetration tests during 2011 and will do so again in 2012. We were happy to receive clean audit reports on all these tests performed in 2011.

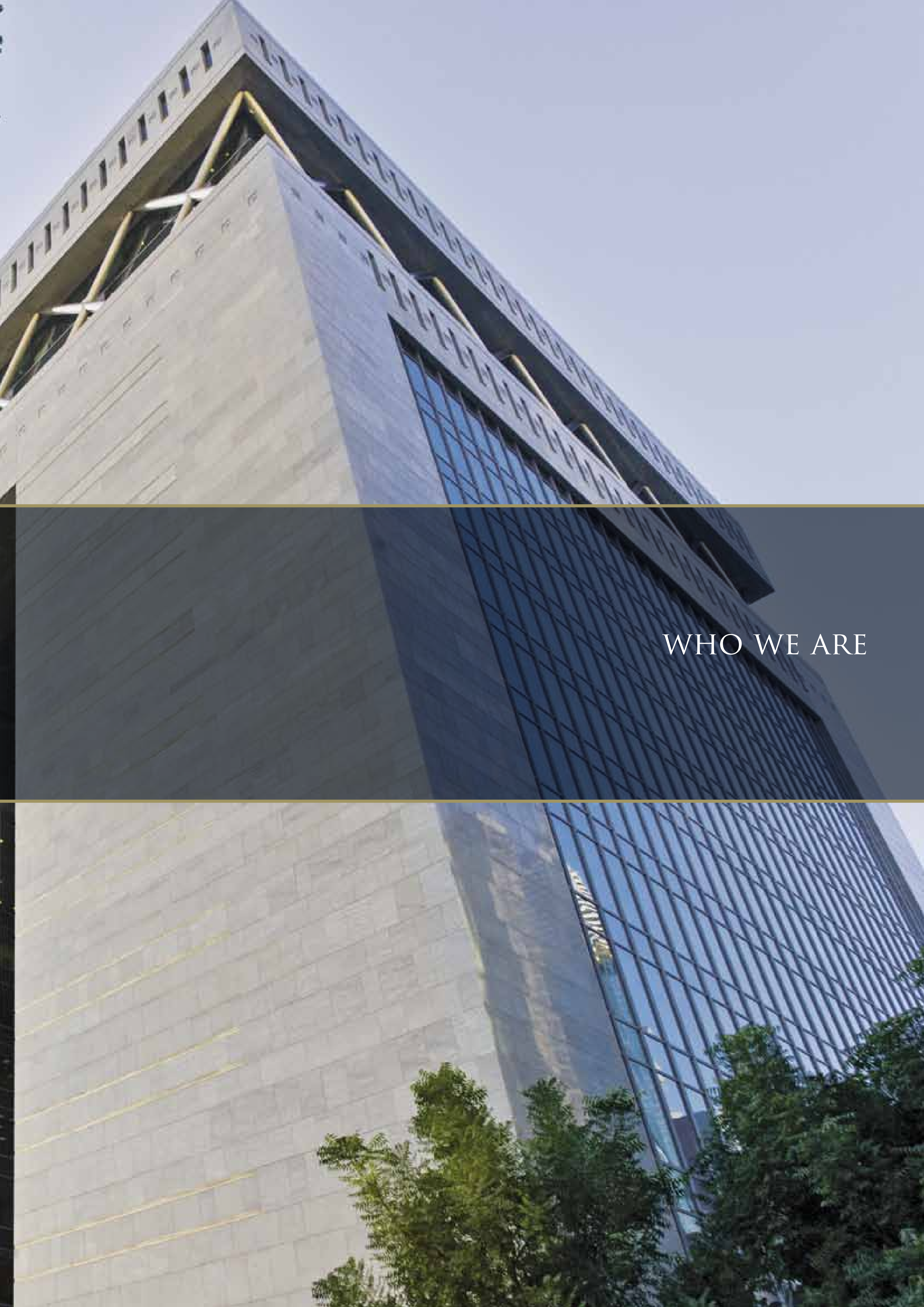
I wish to thank all my colleagues for their unwavering commitment to the values and mission of the DFSA.

The DFSA Board, Committees and Members have had a very busy year and have worked hard to guide the Executive, advise the DFSA and deliver international best practice.

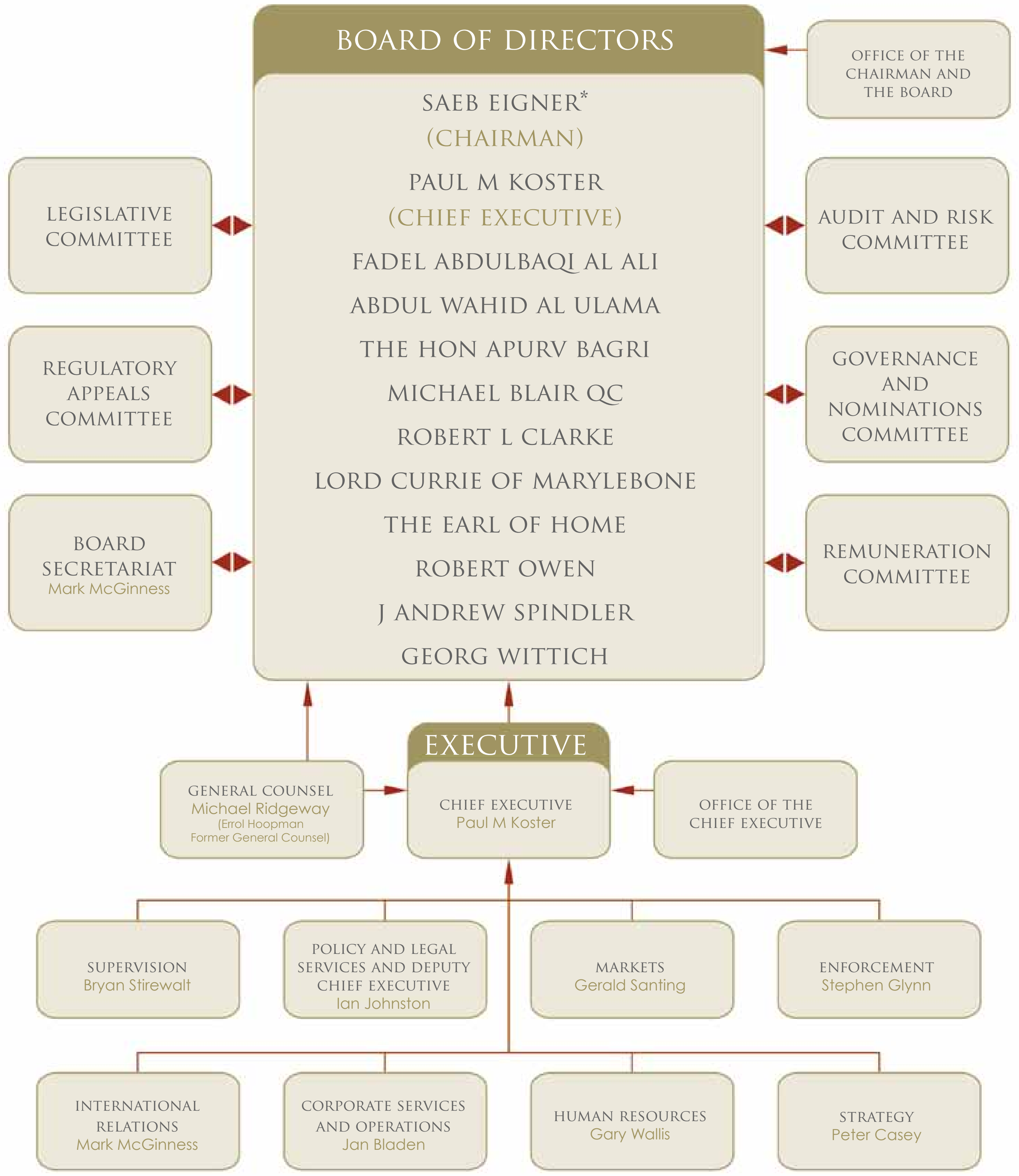
My final words of gratitude go to HE Abdullah M Saleh who, as DFSA Chairman until July, and Mr Saeb Eigner, his successor, have led the Board and guided the Executive with energy and zeal throughout the year.

Paul M Koster
Chief Executive Officer

WHO WE ARE



DFSA GOVERNANCE MODEL



** HE Abdullah M Saleh was Chairman of the DFSA Board until July 2011 when he was appointed Governor of the DIFC. Saeb Eigner was appointed Chairman of the DFSA in August 2011.*

DFSA OBJECTIVES AND PRINCIPLES

In discharging its regulatory mandate, the DFSA has a statutory obligation to pursue the following 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; and
- To promote public understanding of the regulation of the financial services industry in the DIFC.

In aiming to establish and maintain an environment that supports the DIFC's guiding principles of integrity, transparency and efficiency, the DFSA has set uncompromisingly high standards in building a clear and flexible regulatory framework based on the best practices and laws of the world's leading financial jurisdictions. The result is clear and succinct legislation that is relevant to a modern international financial centre.

The DFSA strives to meet the applicable standards of leading international organisations such as the:

- Basel Committee on Banking Supervision (BCBS)
- Bank for International Settlements (BIS)
- Financial Action Task Force (FATF)
- Financial Stability Board (FSB)
- International Association of Insurance Supervisors (IAIS)
- International Accounting Standards Board (IASB)
- International Forum of Independent Audit Regulators (IFIAR)
- Islamic Financial Services Board (IFSB)
- International Organisation of Securities Commissions (IOSCO)
- Organisation for Economic Co-operation and Development (OECD).

The DFSA actively participates in international organisations and contributes to their dialogue in areas such as securities regulation, anti-money laundering (AML), compliance and Islamic finance regulation. This enables us to stay abreast of, and contribute to developing and implementing, international best practices within the region.

VALUES AND ETHICS

The DFSA Values reflect the core DIFC operating principles of Integrity, Transparency and Efficiency. These are firmly embedded in the DFSA's Rules and procedures and incorporated in the DFSA Code of Values and Ethics for employees.

The Code sets appropriate international best practice standards in relation to the use of regulatory information, conflicts of interest and the giving and receiving of gifts and benefits. It is designed to complement the conflicts of interest and confidentiality provisions in the Regulatory Law.

The Code includes procedures for the management of perceived conflicts and potential conflicts relating to close relationships between the employees and consultants of the DFSA and of other DIFC agencies.

The DFSA Board of Directors has adopted a similar Code of Values and Ethics appropriate for Members of the Board, Committees and Tribunals.

DFSA BOARD

An independent Board of Directors oversees the DFSA Chief Executive and his staff. This ensures a transparent separation of day-to-day regulatory activities from the oversight of the DFSA's regulatory performance.

The DFSA Board has a number of additional functions:

- It exercises the legislative powers of the DFSA; and
- It appoints members to the Financial Markets Tribunal (FMT) and the Regulatory Appeals Committee (RAC), each of which exercises certain quasi-judicial functions.

The powers and functions of the Board under the Regulatory Law 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 of 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 the 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.

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 controls; and
- Providing an accountability mechanism for decisions of Committees of the Board through periodic reporting.

Members of the DFSA Board are leading legal, business and regulatory experts drawn from major international financial jurisdictions.

All DFSA Board Directors are appointed by the President of the DIFC, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, for 3 year terms. In addition, all Board Directors have entered into a service agreement with the DFSA which details terms of appointment, duties, remuneration and expenses, confidentiality, management of conflicts of interest, term of service, termination and indemnities.

The Board currently consists of 12 members and all but the Chief Executive are independent non-Executive Directors. The Board is supported by Mark McGinness as Secretary to the Board of Directors and Michael Ridgeway as General Counsel.

The DFSA has comprehensive Directors and Officers liability insurance cover which the Board considers adequate and appropriate. The policy excludes cover in the event a Board Director is proven to have acted in bad faith.

The Board, as required under the Regulatory Law, has appointed a RAC and an FMT. In addition to the RAC which is required by statute, the Board has established four Committees to assist it in discharging its functions. These are the Legislative Committee (LegCo), Governance and Nominations Committee, Audit and Risk Committee and the Remuneration Committee (RemCo). These Committees form a solid platform for good governance, efficiency and policy formation.

Some Committees include Members who are not Members of the Board, but have particular expertise that is helpful to the Members of the Committees, while the Chairman of the DFSA Board is an ex-officio Member of all Board Committees except the Audit and Risk Committee and the RAC.

DFSA BOARD (CONTINUED)

The following schedule shows Board Member attendance at meetings during the year, with attendance (either in person or by teleconference) shown as a proportion of the number of meetings individual Board Members were eligible to attend.

	Board	Audit and Risk Committee	Governance Nominations Committee	Legislative Committee	Remuneration Committee
Saeb Eigner	6/6	4/4	5/5	1/1	5/5
HE Abdullah M Saleh*	2/3	-	-	-	-
Paul M Koster	6/6	5/5	5/5	5/6	5/5
Fadel Abdulbaqi Al Ali	6/6	5/5	-	-	5/5
Abdul Wahid Al Ulama	6/6	-	-	6/6	-
The Hon Apurv Bagri	6/6	5/5	5/5	-	5/5
Michael Blair QC	6/6	-	-	6/6	-
Robert L Clarke	6/6	-	-	6/6	-
Lord Currie of Marylebone	6/6	-	5/5	-	5/5
The Earl of Home	6/6	5/5	5/5	-	-
Robert Owen	6/6	-	-	6/6	5/5
J Andrew Spindler	6/6	5/5	5/5	-	5/5
Georg Wittich	6/6	5/5	-	6/6	-

** These figures reflect the fact that HE Abdullah M Saleh ceased being the Chairman of the DFSA in July when he was appointed Governor of the DIFC. After, he was no longer a Member of the DFSA Board.*

DFSA BOARD MEMBERS

Saeb Eigner (Refer to page 4 for biography photograph)

Saeb Eigner was appointed DFSA Chairman in August 2011, he served as Deputy Chairman of the Board since 2007 and a member of the Board since October 2004.

Formerly a Senior Manager at ANZ Grindlays Bank PLC, in London, Mr Eigner headed the Middle East and Indian Sub-continent Division of the Private Bank, which he left to found Lonworld in the early 1990s. He is the Chairman of Lonworld, a private investment group.

Mr Eigner holds a Masters Degree in Management from London Business School. He is a Governor of London Business School and Chairman of its Audit and Risk Committee.

He is the co-author of the management books "Sand to Silicon" (2003) and "Sand to Silicon-Going Global" (2009) and author of "Art of the Middle East" (2010).

He holds and has held a number of senior Board appointments in the areas of banking, strategy, education, regulation, investment and culture.

HE Abdullah M Saleh was appointed Governor of the DIFC in July 2011 by a Royal Decree issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. With over 40 years of experience in the financial services sector, HE Saleh, a former advisor on financial matters to the Late Ruler of Dubai, HH Sheikh Rashid Bin Saeed Al Maktoum, held numerous key positions in several leading organisations. Mr Saleh was Chairman of the DFSA from June 2007 to August 2011, having served as a Director of the DFSA since 2004. Mr Saleh is a former Vice Chairman of Emirates NBD Bank PJSC, the largest banking entity in the Middle East. Emirates NBD Bank PJSC was formed by the merger of National Bank of Dubai (NBD) and Emirates Bank International (EBI). Mr Saleh was one of NBD's founders in 1963, the Managing Director from 1982 until January 2004, and Chairman from 2005 until the merger with EBI.

Mr Saleh served as an Arbitrator on the Paris-based High Board of the Euro-Arab Arbitration Centre, from 1988 to 2000. He has been a Member of the Board of Qatar Fuel Additives Company since 1990 and has been Chairman of International Octane Limited since 1990. He is the Deputy Chairman 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 is a Director of K S Energy Limited.

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

Paul M Koster (Refer to page 10 for biography photograph)
Paul M Koster was appointed Chief Executive of the DFSA on 1 December 2008. Prior to becoming Chief Executive, he was Commissioner and Member of the Executive Board of the Autoriteit Financiële Markten (AFM), the national, integrated conduct of business financial services regulator for the Netherlands, where he was identified as one of the four leaders shaping the conscience of Dutch business. Mr Koster joined the AFM in March 2001 and in addition to his duties as a Commissioner, he chaired, from May 2006 until December 2007, CESR-Fin, the permanent working party of the Committee of European Securities Regulators that co-ordinates the endorsement and enforcement of financial reporting standards in Europe. For the previous two years he had chaired CESRs Sub-committee on International Standards Endorsement. During his time with the AFM, he was also a Member of the IOSCO Chairs' Committee and, as Chief Executive of the DFSA, he remains actively involved in the work of IOSCO.

Mr Koster previously served as Executive Vice President (Corporate Internal Audit) at Royal Philips Electronics 1998 to 2001; as Managing Partner Corporate Finance, Coopers & Lybrand 1988 to 1998; and as Chief Compliance Officer and Acting Commissioner of Quotations, Amsterdam Stock Exchange 1986 to 1988; and carried out a number of senior finance functions in his earlier career, having trained as an accountant with Arthur Andersen.

Mr Koster is a licensed Registered (Chartered) Accountant having qualified through the Royal Dutch Institute of Chartered Accountants in 1977 and certified as a registered auditor in 1983.

In May 2009, Mr Koster joined the Advisory Board of the SCA, the UAE's federal securities regulator, and in July 2009, he also became a Member of the Consultative Advisory Groups of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

In September 2010, Mr Koster won the 'CEO of the Year for Financial Services' award and was voted one of the most influential expatriates living and working in the region today.

Fadel Abdulbaqi Al Ali is the Executive Chairman of Dubai Holding Commercial Operations Group and the Acting Chief Executive Officer of Dubai Group.

Mr Al Ali sits on the Executive Committee of Dubai Holding and several of its entities, including the Jumeirah Group. He also sits on the Board of Directors for Marfin Popular Bank Public Co Ltd and DU (Emirates Integrated Telecommunications PJSC).

Mr Al Ali has considerable experience in the finance industry which includes several years at Citibank before his move to Dubai Holding.

Mr Al Ali graduated from the University of Southern California with a Bachelor of Science in Industrial and System Engineering. He also holds a Certificate of Finance from the American University of Sharjah.

Abdul Wahid Al Ulama is a certified arbitrator operating in Dubai registered with the Dubai International Arbitration Centre and the International Chamber of Commerce.

He is a Member of the Board of Commercial Bank of Dubai PJSC.

He is a non-Executive Director and Partner in Gulf Lenders Network and Emirates Conveyancing Group, two businesses that are engaged in the real estate sector in the UAE.

From 2007 till 2010, Mr Al Ulama was with Dubai World, initially as the Group Chief Legal Officer for the group. He later assumed leading commercial roles within the group including Executive Vice Chairman of Dubai Natural Resources, the natural resources investment arm; Executive Vice Chairman of Retailcorp World, the retail arm of Dubai World; and Vice Chairman and interim CEO of Leisurecorp.

Prior to joining Dubai World, Mr Al Ulama was a Partner with Al Tamimi & Company Advocates & Legal Consultants in Dubai and the Managing Partner of their associate office in Qatar.

Mr Al Ulama graduated first in class with exception for his LLB degree from UAE University. Thereafter, he completed his masters in law in International Trade Law from the University College London.

The Hon Apurv Bagri is the Managing Director of the Metdist Group of Companies. The group is involved in international non-ferrous trade and industry. He is a past Chairman and current Board Member of the International Wrought Copper Council which represents the global copper fabricating industry and a Member of the Advisory Board of the UK-India Business Council. He is Chairman of the Royal Parks Board and a Trustee of the Royal Parks Foundation. He is also Deputy Chairman of the Governing Body of the London Business School, a Commissioner of the Crown Estate Paving Commission and a Trustee of Asia House. He is a Member of the Corporation, University College School.

He is, in addition, Pro-Chancellor and Chair of Council of the City University, London and is a visiting Professor at Cass Business School. He is a past Chairman and current Board Member 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 and has an Honorary Degree of Doctor of Science from City University, London.

Michael Blair QC is in independent practice at the Bar of England and Wales, specialising in financial services law and practice, and 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 UK Financial Services Authority (UK FSA). He is a Member of the Competition Appeal Tribunal, and a Chairman of the Bar Disciplinary Tribunal. He was until recently the President of the Guernsey Financial Services Tribunal and the Chairman, SWX Europe, the London arm of the Swiss Stock Exchange.

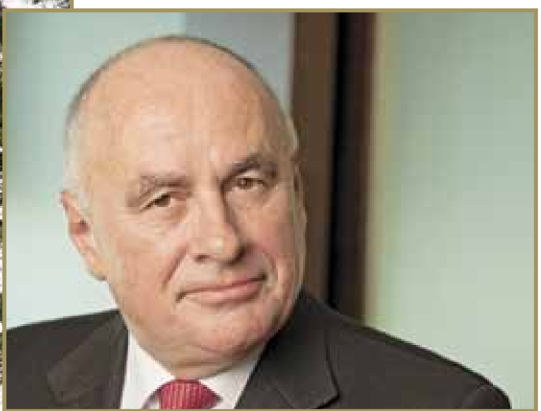
He was the Master Treasurer of the Middle Temple, his Inn of Court, in its quatercentenary year 2008.

From 2000 to 2002, Mr Blair was the Chairman of the three recognised self-regulating organisations for the UK financial services industry: Investment Management Regulatory Organisation, Personal Investment Authority and Securities and Futures

Authority. He served on the Bar Council for ten years, including four years as Treasurer from 1994 to 1998. He was given the award of Queen's Counsel (honoris causa) in 1996 and is the author and editor of a number of leading textbooks on UK financial services law.

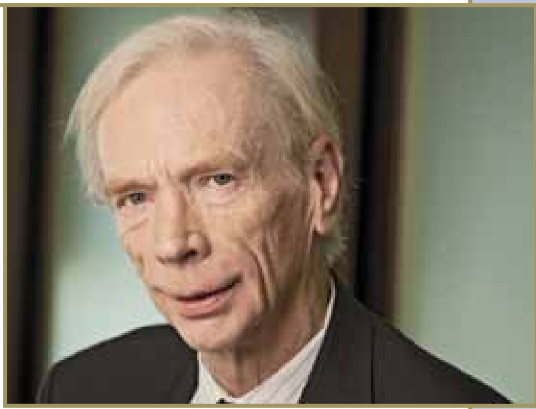
Robert L Clarke has extensive experience with banking laws and regulations and bank supervision, both in the US and internationally. Mr Clarke founded the Financial Services Group at Bracewell & Giuliani, LLP in 1973. He was appointed by President Ronald Reagan as US Comptroller of the Currency (OCC) and at the end of his first term was re-appointed 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. During that time he also served as a Member of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC). In March 1992 he re-joined Bracewell & Giuliani LLP as Senior Partner and head of its financial services practice. Mr Clarke has served as a consultant and 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 International Centre for Financial Regulation and of Semperian Investment Partners. He is also a Board Member of the Royal Mail, BDO UK, IG Group and the London Philharmonic Orchestra. He was the founding Chairman of Ofcom, the converged UK regulator for electronic communications from 2002 to 2009, and Dean of City University's Cass Business School in the City of London from 2001 to 2007.

Formerly he was Deputy Dean at the 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, the UK energy regulator, and a variety of other government bodies. His academic research has been in the area of regulation. In his earlier career he worked in financial services, business, public administration and education.



The Earl of Home has been Chairman of Coutts & Co since 1 June 1999 and became Chairman of Coutts Bank (Switzerland) Limited (now Coutts & Co Ltd), on 8 March 2000. He was appointed Chairman of Grosvenor Group Limited in May 2007 and retired from this position in December 2010. He has wide experience in the banking sector and, having joined Morgan Grenfell in 1966, was appointed Director of Morgan Grenfell & Co Limited (now Deutsche Securities Limited) 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 other non-Executive and public positions including Director of the Agricultural Mortgage Corporation PLC, between 1980 and 1993, Chairman of MAN Limited (retired July 2009), President of the British Malaysian Society (appointed in 2001) and Chairman of the Committee for Middle East Trade (retired 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 experience as both a regulator and a market practitioner, with particular exposure to the Asia Pacific region. He established the Securities and 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 & Co, and served in the UK Treasury and Foreign Office. Since leaving the SFC, Mr Owen has been Deputy Chairman of Nomura Asia Holdings Limited, and Senior Adviser to Nomura International (Hong Kong) Limited, a Member of the Council and Regulatory Board of Lloyd's of London, Chairman of Techpacific Capital Limited, Chairman of IB Daiwa Limited, a Director of Sunday Communications Limited, European Capital Co Limited and various other companies and investment funds. He is currently a Director of Singapore Exchange Limited and of Citibank (Hong Kong) Limited, and of the International Securities Consultancy Limited. He is also Governor of Repton School in the UK and a Board Member of Repton School Dubai.

Mr Owen was educated at Repton School and Oxford University.

J Andrew Spindler is the President and CEO of the Financial Services Volunteer Corps (FSVC), a not-for-profit 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, Mr 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 represented the New York Fed on the Basel Committee on Banking Supervision from 1991 to 1993. Prior to joining the New York Fed in 1985, Mr Spindler held several international lending and strategic planning positions at the Continental Illinois Bank. He served as a Fellow at The Brookings Institution from 1980 to 1983.

Mr 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 University. He is a Member of the Council on Foreign Relations, the Bretton Woods Committee and the Foreign Policy Association.

Georg Wittich has extensive regulatory experience with 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 in developing 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 graduated with law degrees from the University of Kiel and undertook additional studies at the Ecole Nationale d'Administration in Paris.

DFSA BOARD COMMITTEES

LEGISLATIVE COMMITTEE

The primary function of the LegCo is to assist the Board in discharging its policy-making and legislative functions, including the development of legislation related to the regulation of financial services and related ancillary activities conducted through the DIFC. LegCo members are:

- Michael Blair QC (Chairman of LegCo)
- Abdul Wahid Al Ulama
- Robert L Clarke
- Ian Johnston (DFSA Executive)
- Paul M Koster (Chief Executive, DFSA)
- Robert Owen
- Ermanno Pascutto (External Committee Member)
- Michael Ridgeway (DFSA Executive)
- Georg Wittich

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, licensing, listings, governance and takeovers and mergers.

He was the driving force behind the establishment in 2008 of the not-for-profit Canadian Foundation for Advancement of Investor Rights (FAIR Canada) and currently serves as its initial Executive Director.

He is a former Founding Director and Vice Chairman of the SFC, Hong Kong (1989 to 1994), Chief Operating Officer of the Ontario Securities Commission (1984 to 1989) and Director of Market Policy of the Toronto Stock Exchange. He has been involved with the DIFC since 2002 when the project was in the early stages. Mr Pascutto has practised Hong Kong and Canadian law with leading Canadian law firms.

AUDIT AND RISK COMMITTEE

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. Neither the Chairman nor the Chief Executive can be members of the Audit and Risk Committee, but each may attend by invitation. Audit and Risk Committee members are:

- The Earl of Home (Chairman of the Audit and Risk Committee)
- Fadel Abdulbaqi Al Ali
- The Hon Apurv Bagri
- R Douglas Dowie (External Committee Member, stepped down from this committee on 20 December 2011)
- Andrew Spindler
- Georg Wittich

(After being appointed Chairman of the DFSA in August 2011, Saeb Eigner discontinued being a member of the Audit and Risk Committee, even ex officio.)

R Douglas Dowie was a Board Member of Emirates NBD PJSC and Senior Advisor to the Board from 2007 to 2010. He was the Chairman of the bank's Board Risk Committee, a Member of the Board Audit and Credit Committees and a Director of NBD Trust Company (Jersey) Limited. From 1998 to 2010 he was a Board Member of MARSH INSCO and between 2007 and 2010 served on the Board of AlKhalij Commercial Bank, Qatar. Prior to his appointment to the Board of Emirates NBD following the merger of NBD with EBI in 2007, Mr Dowie had been the General Manager of NBD since 1998 and its Chief Executive Officer from 2005 to 2007. Throughout this period he had global responsibility for the bank's affairs reporting to the Board.

A career international banker with what is now 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 Gulf Co-operation Council (GCC) states, including from 1987 to 1992 as CEO for the UAE Operations of Standard Chartered Bank. Mr Dowie also served in the Far East with assignments in Hong Kong 1978 to 1984 and Indonesia 1993 to 1997. As CEO of Standard Chartered Indonesia, he was also Chairman, PT Standard Chartered Leasing Co; Commissioner, PT Standard Chartered Indonesia (Merchant Bank and Securities House) and Chief Advisor PT Bank Pembangunan Indonesia (Persero), aka Bapindo.

He is an independent non-Executive Director and Chairman of British Arab Commercial Bank, London and a Member of its Audit and Risk Committee. He is a Member of the University Council of the British University in Dubai.

He is a Fellow of the Chartered Institute of Bankers in Scotland, a Member of the Chartered Institute of Management and a Globalscot.

GOVERNANCE AND NOMINATIONS COMMITTEE

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 programme and to develop and recommend to the Board a set of corporate governance principles. Governance and Nominations Committee members are:

- Saeb Eigner (Chairman of the Governance and Nominations Committee)
- The Hon Apurv Bagri
- Lord Currie of Marylebone
- The Earl of Home
- Paul M Koster (Chief Executive, DFSA)
- J Andrew Spindler

REMUNERATION COMMITTEE

The primary function of the RemCo is to make recommendations to the Board concerning the remuneration and performance (to the extent it relates to remuneration) of the DFSA's Board, Executive and staff that will assist the Board to discharge its responsibilities relating to human resources at the DFSA. RemCo members are:

- J Andrew Spindler (Chairman of RemCo)
- Fadel Abdulbaqi Al Ali
- The Hon Apurv Bagri
- Lord Currie of Marylebone
- Paul M Koster (Chief Executive, DFSA)
- Robert Owen

REGULATORY APPEALS COMMITTEE

The RAC functions as an internal appeal mechanism from the DFSA Executive's regulatory decisions to ensure procedural fairness, objectivity and transparency. The law empowers the RAC to conduct a full merits review of Executive decisions under appeal. Decisions of the RAC may be reviewed by the DIFC Courts by way of judicial review on a point of law. RAC members are:

- Robert Owen (Chairman of the RAC)
- Abdul Wahid Al Ulama
- Michael Blair QC
- Robert L Clarke
- R Douglas Dowie (External Committee Member, stepped down from this committee on 20 December 2011)
- Jayshree Gupta (External Committee Member)
- William F Kroener, III (External Committee Member)
- Ermanno Pascutto (External Committee Member)
- Georg Wittich
- Nada Khneisser Zarka (External Committee Member)

R Douglas Dowie: Refer to page 31 for corporate biography.

Jayshree Gupta is a dual-qualified solicitor (England and India) and has been practising in the UAE since 1995. Jayshree had a key role in relation to the setting-up of the Dubai office of DLA Piper. She has a number of years of experience in the Gulf advising on corporate and commercial matters including mergers and acquisitions, joint ventures, franchising, agency and distribution, and hotel contractual work. Her clients are a combination of multi-national organisations, established Middle Eastern businesses and major Indian corporates. The sectors she has worked in include hotels and leisure, media, technology, telecommunications and finance.

She has a lead role in the firm's ongoing India strategy and heads the Middle East/India practice.

Prior to joining DLA Piper she was the head of the corporate and commercial group at a leading international law firm with an established Middle Eastern presence. She pioneered and headed up the Dubai Internet City office for her previous firm and its regional corporate and technology practice.

She has been actively involved in writing articles and compiling and editing newsletters, concerning developments in the Middle East including an e-commerce-related publication. She speaks regularly at conferences on trade and investment about India and the Middle East region. She is a recommended practitioner in the UAE by Practical Law Company in Global Counsel 3000 and in PLC's 'Which Lawyer? Yearbook'.

Jayshree was featured on the cover of the international edition of The American Lawyer magazine in October 2006. In December 2008, she was awarded Young Achiever in Business in the first ever Middle East Lifestyle Awards held in Dubai which recognises the contribution of Asians in the Middle East.

In April 2011, she was recognised at the GR8 Women Awards for her contribution to the legal profession.

William F Kroener III is Counsel at Sullivan & Cromwell LLP, and practises from the Washington DC and Los Angeles offices. His practice involves complex regulatory matters, governance, financings, mergers and acquisitions and investigations involving regulated financial institutions.

He served as General Counsel of the US FDIC from 1995 to 2006 and served on the FDIC's Supervisory Appeals Committee from its inception until his departure from government service. Prior to his FDIC service, he practised law in New York City and Washington DC, specialising in banks and other regulated financial institutions, and also served on the Board and headed the examining and audit committee of a New York bank. He speaks and writes regularly on financial regulatory topics and has taught as an adjunct professor at Stanford, George Washington and American University law schools.

He has also been active in the banking and financial services committees of the American, City of New York, New York State and Federal Bar associations and in the American Law Institute. He is listed as a leading lawyer in Banking Law in White's Best Lawyers in America. Mr Kroener received JD and MBA degrees from Stanford and bachelor's degree from Yale.

Ermanno Pascutto: Refer to page 30 for corporate biography.

Nada Khneisser Zarka is a lawyer and current Head of Legal at National Bank of Fujairah. She has 22 years of experience encompassing banking, civil, commercial and corporate laws in the UAE, GCC countries and the Middle East.

Mrs Zarka started practising law with Kanaan & Co as a litigation and transaction lawyer serving a spectrum of local and international clients.

To broaden her product knowledge in the insurance industry, she went to the Isle of Man for intensive insurance courses, which supported her advisory role in this specialist area and on unprecedented products in the local marketplace.

In 1998, Mrs Zarka joined a US-based international telecom company as Legal Counsel gaining substantial expertise in telecommunication regulation.

In 2000, Mrs Zarka moved to a banking law practice advising on all legal and regulatory issues including highly complex and cross-border transactions. She has gained expertise in different banking products and documentation structure. She served as Head of Legal in Mashreq Bank, ABN Amro Bank and National Bank of Fujairah managing matters ranging from legal to regulatory perspective. Mrs Zarka was an active member of the Emirates Banking Association providing legal advice in connection with proposed amendments to UAE Laws and regulations.

FINANCIAL MARKETS TRIBUNAL

The FMT serves as an independent financial services disciplinary tribunal to determine breaches of DFSA administered legislation and determine related regulatory proceedings. It is broadly empowered with a remit and powers comparable to other international integrated financial services regulatory tribunals.

The FMT is operationally independent of the DFSA Board and Executive. Decisions on originating proceedings before the FMT may be appealed to the DIFC Courts. Decisions of the FMT on appeals of Exchange decisions may be appealed to the DIFC Courts on a point of law. FMT members are:

- Stewart Boyd CBE QC (President of the FMT)
- John L Douglas
- Gavan Griffith QC
- Ali Malek QC
- David M Stockwell

Stewart Boyd CBE QC is a senior member of Essex Court chambers in London, specialising in international commercial and investment disputes, mainly as arbitrator. He was called to the Bar in 1967 and was made a Queen's Counsel in 1982. He is the author, with Lord Mustill, of the leading English textbook on Commercial Arbitration. From 1998 to 2004 he was Deputy Chairman of the UK FSA. He has presided over a number of government and regulatory inquiries, as a Recorder over criminal trials and as a Deputy High Court Judge over civil and commercial trials.

Mr Boyd QC was awarded the CBE in 2005 for his services to the financial sector. He is a Master of the Bench (the governing body) of the Middle Temple, one of the four Inns of Court in England, with responsibility for legal education and other professional matters.

John L Douglas heads the global bank regulatory practice at Davis Polk & Wardwell LLP, and practises from the firm's New York office. He served as General Counsel of the FDIC from 1987 to 1989 during the previous banking crisis in the US, and has been involved in most of the significant failed and failing bank transactions during the current crisis. He is a Member of the Board of Directors of the FSVC, and in that capacity, he has provided advice to the governments of Russia, China, Indonesia, Egypt and others.

His practice involves complex mergers, acquisitions and joint ventures, difficult regulatory enforcement activities and sensitive investigations. He served as a Member of the Board of Providian Financial Corporation and on its Audit and Corporate Governance Committees.

Mr Douglas is a frequent lecturer on banking law matters and is listed in The International Who's Who of Business Lawyers, Legal Media Group's Guide to the World's Leading Banking Lawyers, Chambers' American Leading Lawyers for Business and White's Best Lawyers in America.

Gavan Griffith QC practises as a barrister and international chartered arbitrator in Melbourne and also at Essex Court Chambers, London. He was Solicitor-General of Australia from 1984 to 1997. He has had various international appointments, including Leader of Australia's Delegation, and sometime Vice-Chairman, of the UN International Trade Law Commission (UNCITRAL) including in sessions for the adoption of UNCITRAL Model Law of International Commercial Arbitration at Vienna in 1985.

Amongst other appointments he was Leader of the Australian Delegation to The Hague Conference on Private International Law (1992 to 1998), Member and sometime Chairman of INTELSAT Panel of Legal Experts (1988 to 1997) and Member of the Permanent Court of Arbitration at The Hague (1987 to 1999). He is a Member

of the Panel of Arbitrators at the International Centre for Settlement Investment Disputes (ICSID) and of various other arbitral institutions.

Mr Griffith QC holds a DPhil from Oxford University and has been a sometime Fellow at Magdalen College, Oxford. He now practises substantially as Counsel and as Chairman or Member of international tribunals, including those administered by the Permanent Court of Arbitration, ICSID, LCIA (London), ICC (Paris) and other administered and non-administered arbitrations.

Ali Malek QC is a leading barrister in England and Wales specialising in all aspects of Commercial Law including Banking and Financial Services Law. He is the Head of Chambers at 3 Verulam Buildings.

Mr Malek QC is a bencher of the Honourable Society of Gray's Inn and a Recorder of the Crown Court. He is a former Chairman of the Commercial Bar Association. He is also a co-author of Jack: Documentary Credits (4th Edition).

Mr Malek QC obtained his MA and BCL at Keble College, Oxford University. He was called to the Bar in 1980 and appointed Queen's Counsel in 1996. He is authorised to sit as a Deputy Judge in the High Court.

David M Stockwell is the Managing Partner in Dubai of Bracewell & Giuliani LLP, an international law firm concentrating on energy, finance, corporate structuring, financial regulation, and alternative dispute resolution for multinational and Middle Eastern clients.

A former US Diplomat, he previously served in Kuwait, Tunisia and Washington DC and as US Consul General in Dubai. Born in Saudi Arabia, he has lived in the Middle East for more than 48 years. Admitted to the Bar in Texas in 1976 and licensed in Dubai in 1989, he is also Chairman Emeritus of the Middle East Council of American Chambers of Commerce, the regional organisation of all American Chambers of Commerce in the GCC, and Chairman Emeritus of the Board of Trustees of the American School of Dubai, a not-for-profit, private educational institution.

DFSA EXECUTIVE

Paul M Koster, Chief Executive. Refer to page 23 for corporate biography and page 10 for biography photograph.

Ian Johnston - Deputy Chief Executive and Managing Director is an experienced international regulator who joined the DFSA in November 2006 to head up the Policy and Legal Services Division. He was admitted to practise law in Australia in the early 1980s and 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, he played a leading role in the Trustee industry and served on the National Council of the Trustee Corporations Association.

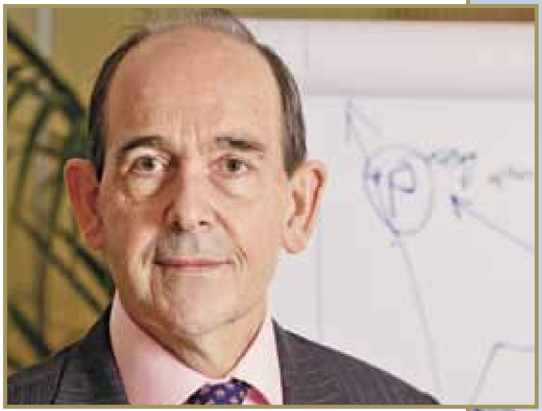
In 1999, Mr Johnston joined the Australian Securities and Investments Commission (ASIC) where he held the position of Executive Director, Financial Services Regulation, and spent several terms as an acting Commissioner. In 2005, he took up a position with the SFC, Hong Kong, as a Special Advisor. He is a past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters (IOSCO, IAIS and the Basel Committee). He is a Member of the Technical Committee of the IAIS.

Jan Bladen - Chief Operating Officer joined the DFSA in 2005 and is the Authority's founding Chief Operating Officer and longest serving member of the Executive Committee. Prior to the DFSA, Mr Bladen spent eight years with PricewaterhouseCoopers (PwC) in both Geneva and Dubai as a member of the Global Risk Management Practice. His professional experience with PwC focused on corporate strategy, enterprise risk management and new methodology developments including international mandates spanning over 37 countries from 1998 to 2005.

Mr Bladen is a regular keynote speaker on the subjects of Corporate Governance and Risk Management and was one of PwC's lead experts on Enterprise Risk Management. He transferred from PwC Geneva to PwC Dubai to lead the development of Risk Management services for the Middle East. Prior to PwC, he spent three years as a management consultant with legacy McKinsey Partners, Value Management Group.

From 1998 to 2003 he was elected President of Executives International in Switzerland and was nominated to the Committee of the British Swiss Chamber of Commerce. In 2011, Mr Bladen qualified as the first certified independent Board Director, in the Middle East, to be admitted to the Mudara Institute of Directors (IOD), having successfully undertaken the IOD's Director Development Programme, passed the required exams and jury interviews.

Fluent in English, French and Spanish, he obtained a Master in Business Administration (summa cum laude) from Lausanne in 1993. Mr Bladen is a member of the Board of Governors of Abbotsholme School, a leading private boarding school in England.



Peter Casey - Senior Director, Policy and Strategy, Head of Islamic Finance joined the DFSA in 2002 as Director, Insurance. In 2004, his responsibilities were extended to other areas and in 2007, he was appointed Director, Policy. In 2009, he also became Head of Islamic In 2010, his responsibilities were further extended to include Strategy. In 2011, he was appointed Senior Director.

Before joining the DFSA, Mr Casey was Head of the Non-Life Insurance Department of the UK FSA. Before that, he held senior regulatory posts in the Treasury, the Department of Trade and Industry and the Office of Fair Trading. He has wide experience of UK government, having also served in the Cabinet Office and Science Research Council, and having worked in areas ranging from export promotion to the creation of computer misuse legislation.

Mr Casey was educated at Cambridge University.

Stephen Glynn - Senior Director and Head of Enforcement, joined the DFSA in January 2005 and has extensive experience in the regulation of financial and capital markets, financial services and products and listed and unlisted corporate entities. In 2011, he was appointed Senior Director.

His portfolio of responsibilities includes enforcing obligations that apply to regulated entities in the DIFC, members of NASDAQ Dubai, the Dubai Mercantile Exchange (DME) and Reporting Entities that list their products and make offers of securities in the DIFC.

Mr Glynn was formerly employed in various senior positions with ASIC carrying out responsibilities in the Markets and Investments, Managed Investments, Financial Services Regulation, Corporate Investigations and Financial Analysis Divisions of Enforcement. He is a forensic financial analyst and a former member of the Investigations Committee of the National Council of Certified Practicing Accountants Australia.

Before joining the DFSA, Mr Glynn was the Managing Director of Financial Services Compliance, a consultancy providing compliance and risk management services to the Australian financial services industry.

Mr Glynn has both Bachelors and Master degrees from Australian universities.

Errol Hoopmann - General Counsel and Secretary to the Board, joined the DFSA in 2003 as a Director in the Enforcement Division and completed his tenure, as General Counsel and Secretary to the Board, at the DFSA, in 2011.

Before joining the DFSA in 2003, Mr Hoopmann was a Principal Lawyer of ASIC where he was responsible for the conduct of major enforcement activities.

Mark McGinness - Director International Relations and Secretary to the Board of Directors, joined the DFSA in 2005 and is responsible for leading and co-ordinating DFSA's role in international relations. This includes responsibility for the DFSA's network of MoUs and its commitment to cross-border co-operation. In April 2011, he assumed the additional role of Secretary to the DFSA Board.

Mr McGinness worked as a State Prosecutor before joining the legal division of ASIC in 1991. In 1993, he joined the Office of the Chairman in Sydney where he became a Principal Legal Officer in Enforcement. In 1998, he was appointed the inaugural co-ordinator of International Enforcement and from 2001 he also undertook responsibility for International Relations. He was advisor to the Chairman of IOSCO's Technical Committee, ASIC's representative on IOSCO's Implementation and multi-lateral (MMoU) taskforces and its enforcement standing committee. Prior to his appointment to the DFSA, Mark was ASIC's Director, International Relations and a member of the Senior Executive Service.

Mr McGinness is currently a member of the Implementation Taskforce of IOSCO, sits on the Supervisory Co-operation Sub-committee of the IAIS and also represents the DFSA at IFIAR. He holds a Bachelor of Arts and a Bachelor of Laws (University of Queensland) and is admitted as a Barrister of the Supreme Court of Queensland and the High Court of Australia.

Michael Ridgeway - General Counsel, was appointed in June 2011. Prior to arriving at the DFSA, Michael practiced law in the US, including thirteen years at the Oklahoma Insurance Department. He has also served as an expert witness in insurance-related litigation and taught Legal Research and Writing, Appellate Advocacy and Legal Ethics.

During his tenure as an insurance regulator, Mr Ridgeway served as Vice Chair of the National Association of Insurance Commissioners' Anti-fraud Task Force, and Chair of the Federal and International Enforcement Co-ordination Working Group. He also represented the US at meetings of the IAIS' Market Conduct Sub-committee and the Insurance Fraud Group.

Mr Ridgeway has a BA in Public Administration and a Juris Doctorate, both from the University of Oklahoma. While in law school, he was Editor-in-Chief of the American Indian Law Review and a member of Oklahoma Law Review. He is admitted to practice in all Oklahoma state and federal courts, Absentee Shawnee and Cheyenne & Arapaho tribal courts, the Tenth US Circuit Court of Appeals and the US Supreme Court.

Gerald Santing - Managing Director, Markets, joined the DFSA in June 2010 as Managing Director, Markets and has overall responsibility for the DFSA's regulation of NASDAQ Dubai, the DME and other future exchanges that may receive authorisation to operate within the DIFC.

Prior to becoming Managing Director, he was Managing Director of the Netherlands AFM, responsible for markets oversight. He was directly involved in the implementation of the Market Abuse Directive of MiFID in the Netherlands, and has been acting Commissioner of the Markets. He chaired the international regulatory task force that dealt with the approval procedures of the merger of NYSE and Euronext in 2006 to 2007.

Mr Santing was the Managing Partner Financial Advisory Services at Deloitte (2000 to 2004), Board Member of Kamerbeek Group (1995 to 2000), CEO of the Mutual Insurance Company OLMA (1990 to 1995) and carried out several management positions at ABN AMRO (1975 to 1990).

Mr Santing has a degree in Economics from the University of Amsterdam.

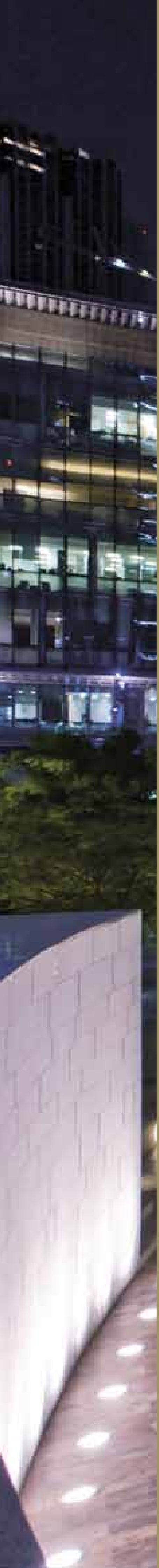
Bryan Stirewalt - Managing Director, Supervision, joined the DFSA in 2008. The Supervision Division includes front-line oversight of a variety of financial service providers, including commercial banks, investment banks, reinsurance companies, wealth managers, advisors and fund administrators. Additionally, Mr Stirewalt oversees the DFSA's regulatory role with audit companies and various Ancillary Service Providers (ASPs) such as lawyers and accountants. As Managing Director, he continues to be active in the DFSA's efforts to fight methods of illicit finance, including co-operation with a variety of local, regional and international counterparts. Mr Stirewalt has also been active in participation with international standard-setting organisations such as the BCBS.

Mr Stirewalt has spent most of his working life in the financial regulatory sphere, in both public and private sector roles. From 1985 to 1996, he worked for the US OCC as a National Bank Examiner. At the OCC, he specialised in policy development and implementation, problem bank rehabilitation and banking fraud initiatives. From 1996 to 2008, he worked for a US-based consulting and advisory firm. During this time, he focused his attention on Emerging Markets, including management of large-scale and multi-faceted development projects in Poland, Ukraine, Cyprus and Kazakhstan. These projects related to a wide array of topics including financial sector development, risk management policies and practices, AML systems and controls and methods of supervising complex financial conglomerates.

Gary Wallis - Head of Human Resources (HR), joined the DFSA in 2006 as Head of HR. He has more than 30 years' experience in the field of human resources, including 10 in the UAE. He has worked in a wide range of industries including 9 years in the financial services industry including roles in Dubai with HSBC in a senior HR development role and ABN Amro as Regional Head of HR. He was also Global Head of HR for Private Clients and Asset Management for ABN Amro based in Amsterdam.

Mr Wallis has a BSc in Political Science and has been a Chartered Fellow of the Chartered Institute of Personnel Development for 17 years.

WHAT WE DO



DFSA ORGANISATIONAL STRUCTURE

In fulfilling its mandate, the DFSA performs the following key functions around which it has organised its staff:

THE POLICY AND LEGAL SERVICES DIVISION is responsible for policy advice and formulation, providing in-house regulatory legal advice and support to operating Divisions of the DFSA and managing the business of the Regulatory Policy and Rules and Waivers Committees. It is also responsible for developing and maintaining the Laws and Rules administered by the DFSA, and for consulting with DIFCA on other DIFC legislation. The Division is also responsible for providing economic analysis and reporting. This analysis aids the Supervision and Markets teams in their understanding and monitoring of market conditions.

The Policy and Legal Services Division also houses the **STRATEGY** function, reporting to the Chief Executive and led by Peter Casey. This function advises on the strategic development of the DFSA, including the preparation of its Business Plan.

THE SUPERVISION DIVISION is responsible for assessing, monitoring and mitigating risk in AFs, ASPs and Registered Auditors (RAs). Stringent review of proposed new entrants occurs during the licensing process and continuing vigilance is maintained through inspections, supplemented by off-site surveillance. Firms' proper conduct of business, financial health and adherence to laws, regulations and prudential standards are assessed by a team of experienced regulators. Timely remedial action is instituted to address weaknesses, objectionable practices or adverse conditions identified by our supervisory activities.

THE MARKETS DIVISION is responsible for the licensing and ongoing supervision of exchanges and clearing houses based in the DIFC. It also recognises exchanges, clearing houses and settlement facilities and members located outside the DIFC. It regulates the offers of securities in or from the DIFC and supervises Reporting Entities by monitoring their ongoing market disclosures and compliance with DFSA rules. It contributes to policy development and rule changes, particularly those relating to its supervisory portfolio.

THE ENFORCEMENT DIVISION enforces DIFC Laws and Rules administered by the DFSA. The Division takes action in circumstances where misconduct may cause damage to the DIFC's reputation or to the financial services industry in the DIFC. Its overarching objective is to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC.

To achieve that objective the Division has a wide range of enforcement powers and sanctions available to it, and uses these sanctions with discretion to ensure that they are proportionate and fair. The DFSA may accept Enforceable Undertakings, impose fines or censures, take licensing action or commence proceedings in the FMT or the DIFC Courts. It has been the DFSA's practice to settle its enforcement

actions co-operatively whenever possible as this is generally in the best interests of the regulator and the regulated. In line with its objective to be transparent, all enforcement outcomes are made public.

The Enforcement Division frequently provides assistance to international regulators, and takes every opportunity to work closely with local regulators.

The Division also works proactively to prevent misconduct through education and outreach programmes.

THE OFFICE OF GENERAL COUNSEL provides lead advice and counsel to the Board of Directors, its Committees and the Executive on legal matters affecting the DFSA, including internal governance, statutory obligations and litigation (non-regulatory). The Office also administers the receipt and handling of complaints against the DFSA and its staff.

INTERNATIONAL RELATIONS leads and co-ordinates the DFSA's role in all international matters and co-operative bi-lateral and multi-lateral efforts with its regional and international counterparts, as well as the DFSA's engagement with the global financial standard-setters. The Board Secretariat manages and co-ordinates all corporate secretary functions for the Board and each of its Committees.

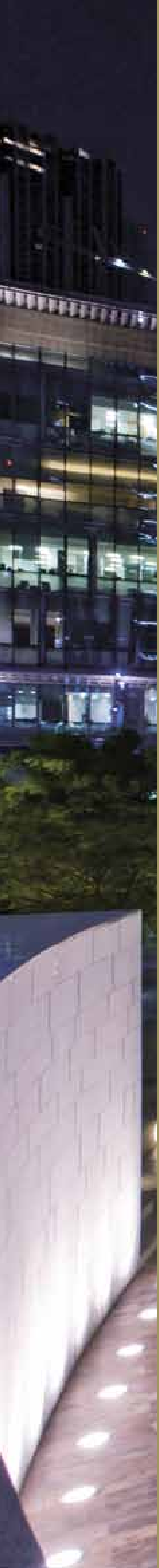
THE CORPORATE SERVICES AND OPERATIONS DIVISION is not only responsible to provide the operational backbone and infrastructure requirements for the DFSA, but also for all internal and external corporate communications.

The five principal Departments within the Corporate Services and Operations Division include:

- Projects and Risk Management;
- IT;
- Office Administration;
- Finance; and
- Corporate Communications.

Some of the key areas of scope and responsibility of the Division include:

- Corporate Administration;
- Office Management;
- All Finance functions;
- IT;
- Corporate Project Management;
- Risk Management;
- Corporate Communications;



- Annual Budgeting;
- Business Continuity Planning;
- Business Process Reengineering;
- Corporate Business Planning;
- External Audit;
- Internal Audit; and
- Health and Safety.

In addition to the activities described, the Corporate Services and Operations Division led the project for defining, documenting and implementing the DFSA's Regulatory Risk Appetite.

THE HUMAN RESOURCES DIVISION is responsible for all aspects of human resource management, particularly for ensuring the ongoing recruitment and skills development of employees and their retention. A principal development activity is the recruitment and training of Emiratis for regulatory careers through the TRL Programme.

ISLAMIC FINANCE

Whilst Islamic finance traces its origins and structures back to early Islamic (and in some cases pre-Islamic) times, in its modern form it is substantially a product of the post-colonial period in Asia and the Middle East. The economic and political dominance of the European powers, certainly from the 18th Century onwards, meant that European modes of banking and finance became the norm over most of the world, even in the Ottoman Empire. From the 1940s onwards, a series of writers tried to articulate the principles of a distinctively Islamic economic system. Islamic principles were adduced which favoured economic enterprise, support for the poor, justice, fairness, moderation in consumption, etc. It was argued that the economic system should be reshaped to these ends, and one element of this was seen as the elimination of interest, or *riba*[1].

After a period of theoretical development, small-scale experiments with Islamic banking took place in Egypt in the 1960s. The first modern commercial Islamic bank, Dubai Islamic Bank, opened in 1975. Subsequently, Islamic finance has broadened to embrace securities, insurance (in the form of Takaful), mutual funds and a wide variety of other products.

One key aspect of the theoretical developments leading to the first modern Islamic banking products was the decision to base these products on the contractual forms which existed in the early Islamic period (and sometimes earlier), and which had been studied in detail by the great classical jurists. These contractual forms, often referred to by their Arabic names such as Ijara, Mudaraba or Wakala, continue to be the basis of Islamic finance.

In principle it need not be so. In commercial contracts, the initial presumption of Islamic law is permissibility. So novel contractual forms begin with a presumption in their favour. But in most plausible financial dealings, it is relatively easy to advance a criticism of any contract; for example on the grounds of *gharar*[2]. In these circumstances the natural response has been to return to the contractual forms on which there is settled jurisprudence, much as conventional lawyers will resort to tried and tested "boilerplate" clauses.

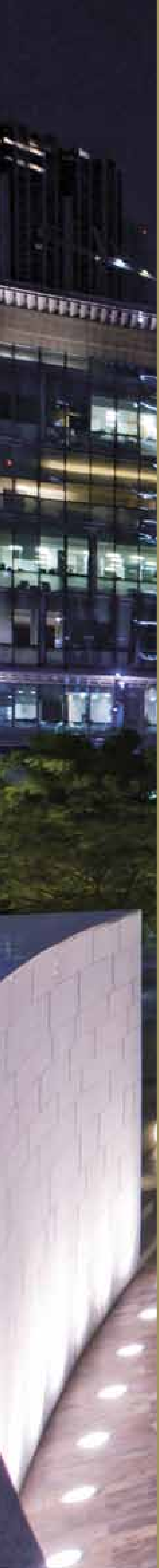
The fundamentals of modern Islamic finance

So the main building blocks of modern Islamic finance have been:

- The avoidance of activities prohibited by Shari'a law. Obvious examples are the production and sale of pork or alcohol, or the operation of a casino. Sometimes the boundaries are widely drawn. For example, Islamic finance

1 *There has been a persistent minority view among scholars that interest is not in fact absolutely prohibited, but this view has not prevailed in the modern period.*

2 *This word, meaning something like "fundamental uncertainty" is very difficult to translate into English. Jurists agree that it must be avoided, and in many cases will vitiate a contract, but the boundaries of gharar can be debated in any particular case.*



would not generally finance a cinema, because the films shown might be immoral or pornographic. On the other hand, where a small proportion of the income comes from forbidden activities it may be "purified" by giving that proportion to charity. A commonly-quoted example is an investment in an airline, a small proportion of whose income comes from the sale of alcohol.

- The avoidance of riba, generally translated as "interest", gharar (see footnote 2), and maisir, generally translated as "gambling".

- The use of contractual forms from the early Islamic period, on which there is long-standing jurisprudence. These contractual forms are nevertheless used in modern guises, and complex structures may be built by using several contracts within the same transaction.

There are other Shari'a restrictions which impact on particular structures or transactions. For example, in general, debt obligations cannot be traded except at par. And, the Shari'a laws of inheritance limit the ability of an insured to nominate beneficiaries under a life policy.

The most characteristic structure of Islamic banking is the Profit Sharing Investment Account (PSIA). This stems from the idea that the returns to those placing money with a bank should come, not simply from placing their money there, but from the use that is made of that money, ideally by its being invested in profitable enterprise. So, in the basic form of the account, the savers (investors) receive the profits made by the bank using their money, less a share paid to the bank for its work in doing so. That return is not guaranteed and, indeed, the principal is at risk if the bank's investments lose money. In practice, Islamic banks establish reserves to mitigate the risks and smooth the returns, and the practical outcome for the saver may be little different than if he had placed his money in a conventional interest-bearing deposit.

As regards insurance, while the principle of risk mitigation is well-accepted by scholars, conventional insurance is held to be unacceptable because of the fundamental uncertainty associated with an insurance contract. This uncertainty can, however, be tolerated under certain circumstances, and an important ruling in 1975 indicated that a mutual form of insurance, usually called Takaful, could be acceptable (provided that other conditions were met, such as a Shari'a compliant investment policy). In practice, it is difficult to establish a new mutual insurer under modern conditions, except on a very small scale. So Takaful firms generally take the form of one or more mutual insurance funds embedded within a normal shareholder company.

In securities, the structure pioneered by Islamic finance has been the *sukuk*[3]. This is the closest Islamic analogue to a bond. Sukuk can be structured around any of several Islamic contracts, but one typical version involves the originator transferring a group of assets into a special purpose vehicle (SPV), and then leasing them back. The SPV then issues sukuk which confer a transferable right to a share of those assets, and the return on them. In practice, there will typically be a whole set of surrounding agreements, so that the economic effect may be very similar to that of a conventional fixed-term bond with a defined (fixed or floating) interest rate.

The Islamic finance industry

Reliable figures on the size of the Islamic finance services industry are hard to come by. National authorities often do not collect data on Islamic business separately from conventional. Some firms, especially those global banks which have Islamic arms, do not publish separate figures for that part of their business.

The general consensus of commentators is, however, that Islamic finance at present accounts for about 1% of global financial business, whether by assets or by turnover. This would correspond to around $1 trillion in assets. Growth rates are estimated at around 10% a year, even in the recession years of 2009 and 2010.

The sukuk market, like conventional bond markets, displays much more volatility. Issues in 2010 are estimated at $47 billion, up from $26 billion in 2009, but still below the 2007 peak of $49 billion.

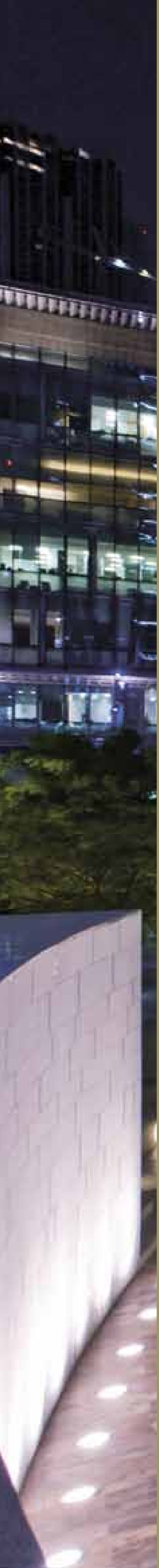
Regionally, the penetration of Islamic finance is much higher. Figures from Standard & Poor's suggest that Islamic banking assets account for around a quarter of the GCC total, and as indicated, the growth rate is higher than for conventional banking. Similar broad conclusions can be drawn in other sectors such as Takaful.

Some governments around the world have actively promoted Islamic finance. The most obvious example is Malaysia, which has given strong support to the development of the sector and to Malaysia as a global hub for it. Whereas some countries have explored Islamic finance as a way of meeting the financial services needs of their Muslim citizens, others have been more focused on capital markets. For example, Luxembourg's interest derives largely from its aspirations as a centre for global collective investment funds.

The issues for regulators

The first issue for any regulator of Islamic finance is what attitude it should take to the claim to be Islamic. This is a fundamental claim, and thus a fundamental question for regulators. But it is also a thoroughgoing claim affecting, in principle, the whole of the firm's Islamic financial business. For example, is an Islamic bank permitted to invest in a particular firm, through an instrument structured in a particular way? Is a

3 *Strictly speaking, sukuk is a plural noun, but it is often convenient to use it as though it were singular.*



Takaful insurer permitted to offer certain policy benefits? Unfortunately, at this level of detail Shari'a scholars do not always agree. A product or transaction that one scholar regards as permissible may be ruled impermissible by another. Sometimes the weight of opinion shifts over time, and sometimes the divergences may be along broadly geographical lines, with Asian scholars typically more liberal than those in the Gulf.

In this situation there are broadly three approaches taken by regulators, though with shadings between them.

One, which would be the position of many Western regulators, is that they cannot, for reasons of constitutional principle or practical expertise, become involved with an essentially religious claim. Some would qualify this slightly by arguing that it can be dealt with in the same way as any other representation made to customers or potential customers.

At the other end of the spectrum, some regulators would say that this is a sufficiently fundamental claim that it is one which should be tightly controlled: the regulator should be the arbiter of what is required of, or permitted to, a firm that claims to be Islamic. A typical approach to this is for the regulator to establish its own high-level Shari'a board, whose rulings are binding in its jurisdiction. In addition, it may require each firm to establish a Shari'a Supervisory Board (SSB) who will rule on relevant issues at firm level, subject to the overarching authority of the central board.

The DFSA's approach is that it will be a Shari'a systems regulator, rather than a Shari'a regulator. It requires a firm which claims to be Islamic to have an SSB, systems and controls to ensure that its decisions are implemented, and Shari'a audit arrangements, but it does not attempt to control what those decisions should be. It believes that this is an approach suited to a secular regulator which nevertheless takes seriously the claim to be Islamic.

In other respects, the issues for regulators are more technical, but still difficult. They include questions about how much capital Islamic firms should hold, what accounting standards they should use, what information they should disclose to customers and markets, and so on. The DFSA is a risk-based regulator, and it, therefore, aims to give similar risks similar treatment, whether they arise in the course of Islamic or conventional finance. But it will analyse very carefully where the risks are similar and where they are different.

There are, however, some places where different treatment is clearly necessary. For example, in a Takaful insurer, because there are assets and liabilities attributable to the policyholders, and other assets and liabilities attributed to the shareholders, the accounting statements should reflect this separation. Also, if surpluses in the insurance funds are to be distributed to policyholders, the policyholders should be told on what basis this is to be done.

There are many other examples, but the issues can be illustrated most clearly from Profit Sharing Investment Accounts (*PSIAs*)[4]. In principle, a PSIA is an investment, and the investor faces risks to both principal and return. If that is the case, he should clearly know about these risks, and the DFSA mandates appropriate disclosures at the outset of the relationship. It also mandates disclosures about the reserves (commonly called Profit Equalisation Reserve and Investment Risk Reserve) which may be used to mitigate the risks. Some other *regulators*[5] look at the same structure and see something which closely resembles a conventional interest-paying deposit, with an effectively pre-set rate of return and with no real risk to principal (at least so long as the bank remains solvent). They may, therefore, treat it as a deposit, and bring it within deposit protection arrangements, but not mandate the same kinds of disclosure.

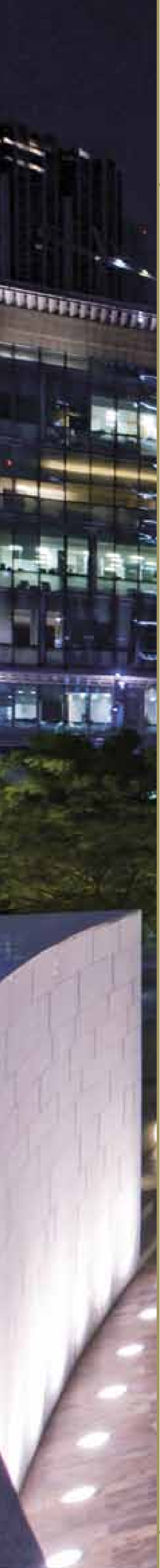
In practice, even regulators who take a relatively purist view on the investment nature of a PSIA may accept a need for some capital charge on the basis of what is known as Displaced Commercial Risk (DCR). In part, this reflects the fact that banks engage in "maturity transformation"; depositors or investors can withdraw their money at relatively short notice, but the bank has invested it for a longer period (for example, in financing cars or houses) and cannot get it back quickly. One risk an Islamic bank faces, therefore, is that if it cannot match the rates of return available elsewhere, its investors will withdraw their money faster than it can realise investments, and it will face a liquidity crisis. More generally, even if it can avoid a liquidity crisis, the bank may feel obliged to match the rates of return available elsewhere to maintain its commercial position and its customers' loyalty.

For this reason, the IFSB's capital standards include a variable parameter which the regulator can set according to its view of DCR. Setting it at one would imply treating a PSIA exactly like a deposit. Setting it at zero would imply that there is no DCR, and the PSIA can be treated as entirely off balance sheet. The DFSA sets it at 0.35, implying that there is some DCR but it is limited by the relatively sophisticated nature of the DIFC's customer base and by the disclosures we mandate.

One general issue for regulators is that, because modern Islamic finance is relatively young, there is little practical experience of what can go wrong. We have not seen the equivalent of bank runs, insurance failures or the investment mis-selling cases which have shaped much of conventional regulation. Many structures are untested; for example, we do not know whether, in the insolvency of a Takaful company, a court would respect the distinction between policyholders' and shareholders' funds. Also, because in most countries Islamic finance has been small, it has been possible to resolve any problems at the level of the individual firm without having to consider system-wide interventions. As a result, all regulators still have much to learn about how to apply their skills and tools to Islamic finance.

4 *PSIAs are here discussed in their basic ("unrestricted") form. There are also "restricted" PSIAs tied to a limited range of investments, some of which more closely resemble collective investment funds. They would commonly be taken off the balance sheet of the bank.*

5 *For example the UK FSA.*



How different is Islamic finance?

Underlying many of the debates in Islamic finance – including who sets the standards and what they should be – is how different Islamic finance is (or should be) from conventional. The early pioneers of the modern form clearly saw it as substantially different, and expected instruments and structures to emerge which did not simply mirror those of conventional finance. It would follow that they would need to be considered differently from the point of view of accounting, regulation, etc. But there is an alternative view which, in its most principled form, would be that conventional finance has, over the years, created instruments and structures which meet the needs of individuals and firms for investment, financing, risk protection, etc, but which unfortunately do so in ways which are not Shari'a compliant; in this view the task for Islamic finance is to create instruments which meet the same needs, but which are compliant. These have been characterised as the "social engineering" and "financial engineering" approaches respectively.

The perceived failures of conventional finance, displayed in the global financial crisis, for a while gave increased strength to the social engineering approach, allowing its proponents to argue that Islamic finance had features – for example limitations on the ability to create complex derivatives - which would have prevented a similar crisis within an Islamic model.

A further factor, and a difficult one to evaluate, is what the market wants. For example, do individual Muslims want a savings account which actually shares in the fortunes of the bank, as a PSIA was originally intended to do, or do they want a more or less fixed return without risk to capital? Is there an investor market for sukuk which carries some element of asset or equity risk, or are markets polarised between equity and (conventional) bond-like investors? Yet if Islamic financial instruments simply replicate their conventional counterparts in substance, if not in form, for how many people will that lead to choose an Islamic over a conventional product? It is already noticeable that, in retail markets where conventional and Islamic products exist side by side, profit rates for loans are almost indistinguishable from the interest rates for corresponding conventional loans, and premium rates for Takaful closely track conventional premium rates. This strongly suggests that most consumers' preference for Islamic finance is a relatively weak one, for which they are not prepared to pay any significant price.

The answer to this fundamental question of how different Islamic finance is both influences and is influenced by regulation. For example, if a PSIA is indeed economically equivalent to a deposit, then regulators will be inclined to treat it as such. But, conversely, if the regulator in a particular jurisdiction treats a PSIA as a deposit, then the bank may have a legal obligation to repay it in full. But if the bank has such an obligation, its natural response will be to structure the product so that it can meet that obligation, removing as much as possible of the investment risk. There may thus be a self-reinforcing pattern.

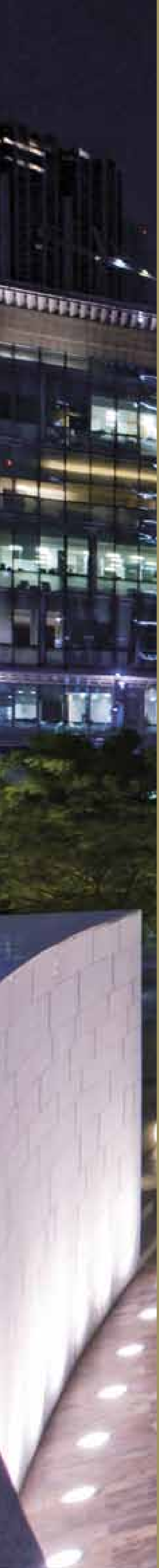
At present, the regulatory pressures are largely towards squeezing Islamic finance into conventional moulds. The main international standard-setters have not created specific standards for Islamic finance, while the Islamic standard-setters, IFSB and AAOIFI, have not yet been accepted by the FSB. This means that there is little international pressure to adopt their standards, but strong pressure to adopt standards for conventional finance. In this situation, many countries faced with a demanding agenda of regulatory reform will simply adopt the conventional standards and expect Islamic finance to fit within them. In addition, the major international firms will be subject to consolidated supervision, and the prudential treatment of their Islamic exposures will, therefore, be determined at group level by their lead regulators, who will in the vast majority of cases simply apply conventional provisions.

As Islamic finance grows, its Shari'a governance models will in any event come under strain. Firms cannot continue to rely on a relatively small number of ever more stretched top scholars, even if those scholars are supported by more junior team members. One option is an increase in the number of scholars. But that will increase the risk of inconsistent rulings and fatwa shopping. The alternative is to reduce the reliance on scholars, at least at firm level. To some extent this may begin to happen naturally, as the industry begins to evolve standard products and modes of operation. But more is likely to be needed, whether through some authoritative international body or through a change to the structure of the advisory profession.

Bringing all these factors together, it is interesting to speculate about where Islamic finance may be in, say, ten years. Consider these four thumbnails:

- There is a complete and self-contained Islamic finance system essentially independent of conventional finance. Its products are distinctive, and many of those found in the conventional world are absent; for example, there are no foreign exchange futures. This system is subject to separate regulatory standards, developed by specialist bodies. Unfortunately, it is confined to a handful of countries which have little relevance to the global financial system. Many of the largest Muslim populations, for example in India or Turkey, have no access to it.

- Islamic finance has converged with conventional finance. It offers essentially the same products and services, at both individual and corporate levels. They are differently structured but economically equivalent and, to a large extent, they are offered by the same firms. In almost every nation, they are subject to the same regulation; no-one sees a need to apply separate regulatory standards to them. Most Muslims also see no real difference, but a minority believes that the form is important and therefore has a clear preference for the Islamic product. The cutting edge of innovation is the creation of exotic Islamic credit default options.



- Islamic finance interacts with the conventional system but is materially different. While many products are economically similar, there are some distinctive product differences. This is attractive to a significant part of the Muslim population, though many of the firms offering them are parts of largely conventional groups.There are, however, a few Islamic firms which have achieved international significance. The main standard-setters, like the Basel Committee, have offered interpretations of their standards for Islamic finance, and these are being adopted in many countries. The cutting edge of innovation is a sukuk which offers a smoothed equity-like return over a fixed period.

- There is little change to the current position. The Islamic standard setters continue their work with minimal influence on their conventional counterparts, and their standards influence a few Muslim-majority countries. Elsewhere, Islamic finance is regulated in the same way as conventional. In substance, Islamic products continue to mirror their conventional equivalents and Islamic product innovation is limited. Divergence in national practices continues to hinder cross-border business, especially large-scale capital markets transactions. Although demand remains relatively strong in Muslim countries, Islamic finance represents a small proportion of the global financial business.

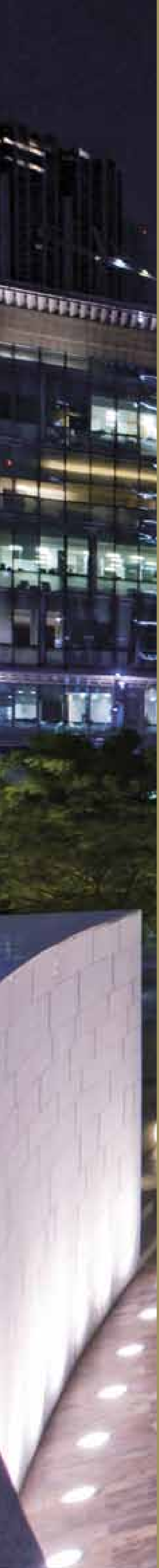
The truth may well contain elements of all these pictures, as well as a few surprises, and is unlikely to be uniform across the world. Regulators will play a part in creating it but it can never be theirs alone.

TOMORROW'S REGULATORY LEADERS PROGRAMME

Throughout the year, the DFSA continued to drive its flagship employee development programme, the TRL Programme, aimed at UAE nationals, accepting four more Associates to the programme and appointing three graduates as Managers in our regulatory teams. The aim of the programme is to develop individuals into roles as regulators in two years through on and off-the-job learning. It also includes secondments to Firms within the DIFC.

In 2011, DFSA's senior management committed to an audit of the programme to identify ways to better deliver the programme. The audit was successfully aided by close involvement of our Board of Directors. The audit findings have led us to improvement opportunities. Two examples of such initiatives are: restructuring the work experience element of the programme to give Associates more direct exposure to the supervision of AFs and to provide on-going professional support from senior regulators to our Emirati regulators through the implementation of a Mentoring Programme to commence at the beginning of 2012.

To date, 90% of UAE nationals working as financial services regulators at the DFSA have graduated from the TRL Programme. Emiratis now account for 28% of the regulatory workforce.



KEY REGIONAL RELATIONS

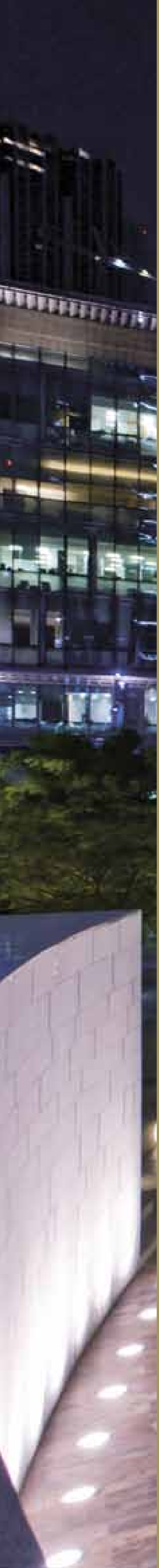
Regional co-operation and interaction remained a priority for us in 2011. A Memorandum of particular significance was signed with the UAE Insurance Authority, which has led to enhanced interaction between the DFSA and the Authority and means that the DFSA now has a formal collaborative link with all three federal financial supervisors, MoUs having been signed with the SCA, in 2005 and with the CBUAE in 2009. The DFSA is also working more closely with the UAE Ministry of the Economy.

The Chief Executive is a member of the Advisory Board of the SCA and meets regularly with his SCA counterpart, and the Central Bank of the UAE's Governor, to discuss issues in common. At an operational officer level, there were also regular meetings throughout the year between the DFSA and its federal counterparts.

In 2011, the DFSA participated in the work of IOSCO's regional forum, the Africa and Middle East Regional Committee (AMERC), attending meetings in Mauritius in February and in Cape Town in April. At the latter meeting, AMERC adopted, for discussion, a regional MoU drafted by the DFSA to enhance co-operation between the nineteen neighbouring members of the Committee. In another markets related context, the DFSA is also represented on the OECD MENA Capital Markets Taskforce.

On 22 and 23 November, the DFSA hosted its second seminar for regional auditors, this time with the co-sponsorship of the UAE Ministry of Economy. Entitled 'Professional Scepticism: raising the bar!', it attracted some 230 auditors from Saudi Arabia, Bahrain, Kuwait, Qatar, the UAE and from the wider region.

Discussions have advanced on a bi-lateral MoU with the Financial Services Agency of Egypt and it is hoped that this will be completed during the first half of 2012. With increasing interest in the DIFC from firms in the GCC and the wider region, closer and more formal links with more regulators and supervisors in the Middle East will be necessary.



POLICY AND LEGAL SERVICES

Legislative Initiatives

The Policy and Legal Services Division continued its review of DFSA Laws and Rules, which led to further changes in the DFSA regime in 2011. The DFSA has introduced a comprehensive Financial Promotions regime that has strengthened its regulatory perimeter and also provided greater clarity in relation to the making of financial promotions by persons not authorised to do so by the DFSA. The DFSA will now have a greater degree of regulatory oversight and control over who may conduct Financial Promotions relating to financial services and financial products and in particular, oversight of the standards that such promotions must meet with respect to retail investors.

In 2011, the Division also introduced a new module to the DFSA Sourcebook, the Regulatory Policy and Process (RPP) module. This new module to the Sourcebook contains process guidance and policy statements that were previously contained in other sources, including the DFSA Rulebook, with respect to the authorisation and supervision of AFs. This will provide readers with a greater understanding of how the DFSA functions and operates and what is expected from the regulated community. The development of the RPP is ongoing, with further chapters likely to be added going forward, including chapters on Enforcement and Decision Making.

The Policy and Legal Services Division also worked closely with the Supervision Division throughout the year, to introduce a number of enhancements to the Financial Services definitions framework in the DFSA Rulebook. These enhancements have removed ambiguity from the framework as well as provided some Firms with relief from certain regulatory requirements that were previously placed upon them.

Policy Development

As well as managing the DFSA's regulatory policy development, the team continued to contribute to the work of the international standard-setting bodies such as IOSCO, IAIS and the Basel Committee. These bodies are revising their standards in response to the financial crisis and they continue to enhance internationally consistent regulation across the financial services sector. In 2011, the DFSA continued to respond to consultation papers issued by these and other international bodies, and the DFSA continues to serve on several standard-setting committees.

Industry Outreach

During 2011, the Policy and Legal Services Division delivered a number of presentations covering many issues, including changes to the Markets regime, Dubai Law No 9 of 2004, the Financial Promotions Regime in the DIFC and Financial Services definitions. Presentations were also provided with respect to the introduction of the new Regulatory Policy and Process Sourcebook and the introduction of a new funds regime by the SCA.

SUPERVISION

Overview of Supervision

The majority of the DFSA's time and attention remains devoted to the Firms we supervise, and at year end, that amounted to: 270 AFs, 51 ASPs and 15 RAs.

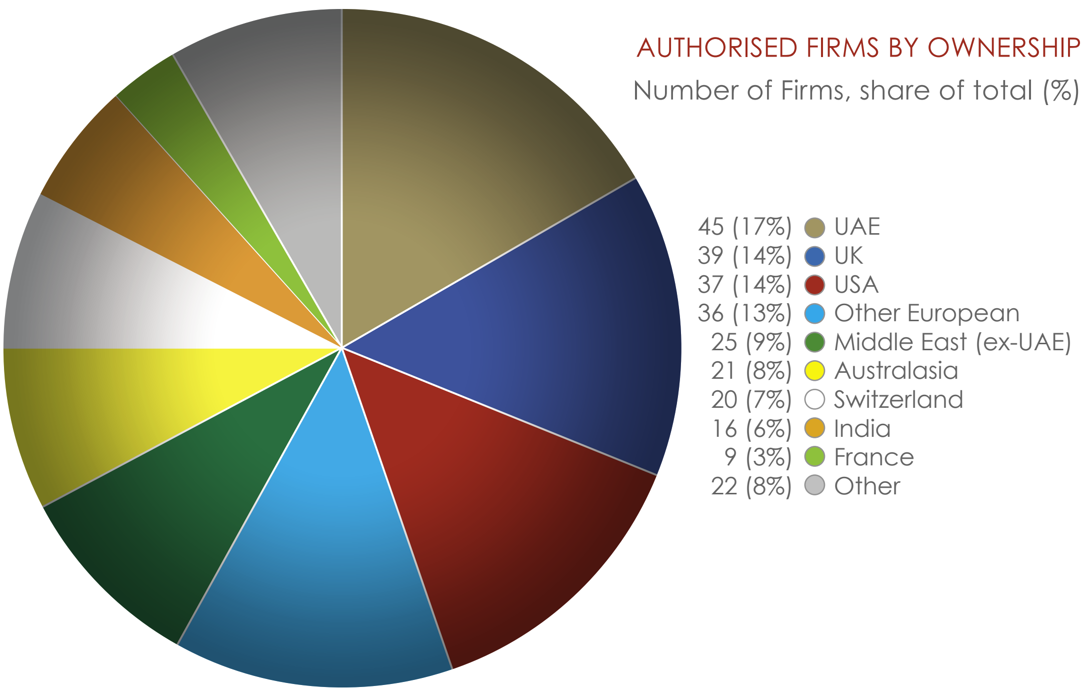
Licensing Activity

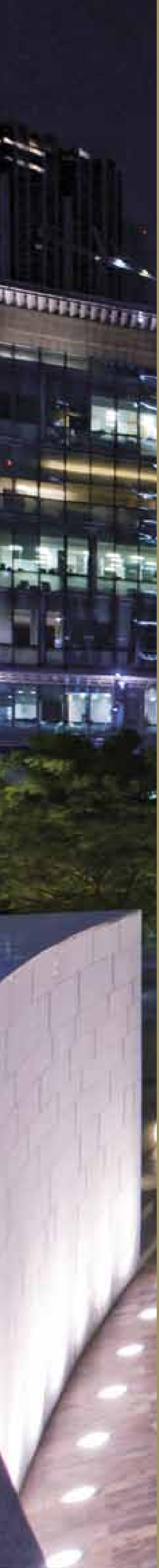
A key element of the DFSA's Supervision Division is its robust approach to the licensing of applications. The team conducts a thorough analysis of each new application, particularly in relation to the viability of the proposed business model, the fitness and propriety of senior management and the Board of Directors, applicability of corporate governance principles, the reasonableness of the financial projections and the applicant's capability of complying with laws and regulations applicable to the DIFC. We also look closely at the source of funds from the applicant's beneficial owners and where relevant, we closely liaise with regulatory bodies. The global economic picture in 2011 made it more important that there was no relaxation in this enhanced due diligence, even if it sometimes meant an application took longer to process.

Applications for authorisation increased in 2011 with the DFSA granting licences to 46 AFs and registering 2 ASPs (51 in total) and registering 1 RA (15 in total). This represents an increase of 8% compared to 2010. The DFSA notes that financial institutions from India, the GCC and Europe constitute this increase, with trade finance, wholesale broking, reinsurance and wealth management being the predominant financial services being offered. The chart below depicts the ownership status, number of Firms and share of total (%). The expansion of the Representative Office base is also significant, and we anticipate that a number of these Firms will seek full licences in due course.

AUTHORISED FIRMS BY OWNERSHIP

Number of Firms, share of total (%)





Supervision Methodology

The DFSA is a risk-based regulator. We primarily use periodic on-site reviews as our gauge for a Firm's risk profile.These on-site reviews are conducted by experienced supervisors, who are provided with on-going training and development opportunities to ensure awareness of global trends and product innovations. The frequency and scope of risk assessments and validation procedures are dependent upon the potential impact of the Firm's activities in the DIFC and the probability of potential risks to the DFSA's objectives crystallising.

Using a risk matrix tool, the Supervision Division looks closely at the governance structures used at each Firm, its financial performance, its conduct of business with clients, markets and various regulatory bodies, and how well the Firm complies with laws, rules and global best practices for combating money laundering and terrorist financing. On-site visits involve checking a Firm's records, interviews with a Firm's management and staff, and a degree of transaction and record-keeping testing. The scope of the review is determined by factors such as a Firm's size and complexity, product offerings, client base, business model and track record of transparency and co-operation with the DFSA. The results of our on-site inspections are discussed with management and communicated in writing to the Firm's executives and Board, and any other appropriate oversight body.

Whilst most inspections reflect satisfactory practices and conditions, in cases where we encounter practices or conditions that evidence increased risk and more significant supervisory concerns, additional action may be taken. Typically, this involves the Firm receiving a risk mitigation programme where the Firm's management commits to undertake specific remedial actions by specified dates. If the DFSA has more significant concerns about a Firm, a more immediate or extensive corrective programme may be imposed. The DFSA has a range of powers to mitigate unsatisfactory practices or conditions, including restricting business, mandating specific corrective actions and, ultimately, revocation of the licence. In some cases, the Supervision Division might refer a matter to the Enforcement Division for investigation.

During 2011, the Supervision Division conducted 129 on-site risk assessments of AFs, 15 AML assessments of ASPs and 23 assessments of RAs. In respect of the RAs assessments, 14 related to specific audits as required under GEN rules 8.6.1(c) to (f) including but not limited to prudential and client assets/money obligations, 7 related to financial statutory audits as required under GEN rule 8.6.1(b) and the remaining 2 were AML assessments.

Continuous Improvement in Supervisory Processes

Over the course of the year, we reviewed all of our supervisory processes to enhance efficiency, update documentation and ensure consistency of approach among supervisors. We have, so far, reviewed one hundred processes and have identified a number of improvement opportunities which will be implemented at the earliest opportunity.

Project Work and Supervision

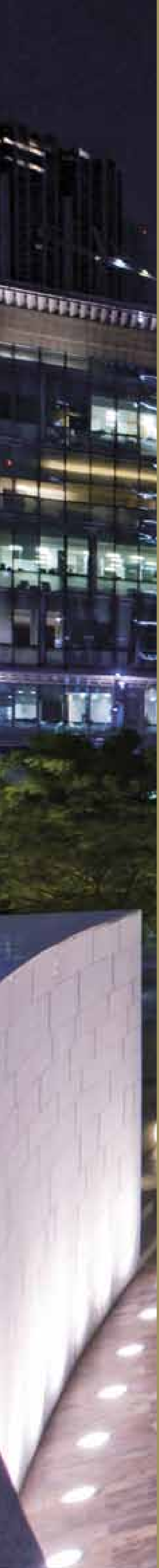
Two major projects commenced in 2011 and are still underway in the Supervision Division. First, we conducted a review of our prudential rules for banks and investment Firms to implement Basel III and other prudential-based rule enhancements. Secondly, we reviewed our rules surrounding combating money laundering and terrorist financing, and our client on-boarding rules in general.

Supervision Thematic Reviews

These remain a key tool in our Supervisory powers and applications. Our on-site assessments of individual Firms are supplemented by a programme of thematic reviews, which provide a more horizontal view of risks that might impact a larger number of Firms. During the year, a variety of thematic reviews were undertaken, covering AML/Combating the Financing of Terrorism (CFT) with Politically Exposed Persons (PEPs), for example. The AML/CFT review had two stages. The first phase was the preparation in dissemination of a PEP questionnaire to all AFs and ASPs. A total of 289 responses were received. The second phase of the review involved visiting 25 selected Firms to evaluate and test their PEP systems and controls and also obtain feedback from Firms on the current approach to PEPs and any amendments they thought could be beneficial. This review represents one of the elements of the DFSA's enhanced supervisory approach. This is the first time that the Supervision Division has targeted all Firms in a thematic review and this represents the importance of this subject and exercise.

Outreach Events

The DFSA strongly believes in continuous engagement with the financial sector through means other than specific risk assessments. The Supervision Division continued to engage with stakeholders throughout 2011, with various initiatives including outreach sessions and external presentations. The approach involved "preventative medicine" and allowed the team to further educate Firms in avoidance behaviour. During the year, the Supervision Division delivered presentations covering a wide range of issues, including: AML/CFT, the process of Suspicious Transaction Report (STR) lodgement (which was a joint session with the Anti-Money Laundering Suspicious Cases Unit (AMLSCU) of the CBUAE), as well as a session for advisors to help explain our approach to licensing applications.



The Supervision Division also provided an outreach session which focused on Consultation Paper 74, which introduced a new definition of Designated Non-Financial Businesses and Professions. We also prepared a Quick Guide to the AML/CFT changes, in this regard, covering a number of key areas including: helping a firm establish if it is a DNFBP, explaining the requirement to register with the DFSA, appointing a Money Laundering Reporting Officer and complying with the new proposed DFSA Rules for DNFBPs.

Registered Auditors

In 2011, the Special Surveillance Unit embarked on a review of auditors reports required under our rules. These reports are specialist reports solely for the use of the DFSA covering matters such as prudential returns and regulatory capital reconciliations, client money etc., as opposed to the normal statutory auditors reports. The purpose of the review was to gather information on RAs procedures when undertaking work for the issuance of these reports.

International Regulatory Relationships and Co-operation

The Supervision Division remains proactive with a range of standard-setters, ranging from BCBS, IOSCO and the IAIS. From the perspective of Islamic finance, the DFSA has remained an active participant in the AAOIFI and the IFSB. From an Audit perspective, the DFSA met with the Audit Inspection Unit and Professional Oversight Board of the Financial Reporting Council, UK. We also conducted a joint breakfast briefing with the Institute of Chartered Accountants in England and Wales, to discuss the importance of a Professional Accountancy Body in the region.

Supervisory Colleges

Supervisory Colleges received new impetus in 2011 as a result of the financial crisis. Co-operation between home and host supervisory authorities remains high on our agenda. We have actively worked to enhance the role of colleges in co-ordinating supervisory activities and decisions, as well as enhancing the exchange of information between relevant authorities. Largely, this is achieved via our suite of bi-lateral MoUs and our membership of MMoUs, but increasingly we are participating in formal Supervision Colleges.

AML, CFT and United Nations (UN) Sanctions

The UAE Penal Code and other Federal criminal laws apply in the DIFC, including Federal Law No 4 of 2002 (Criminalisation of Money Laundering) and Federal Law No 1 of 2004 (Counter Terrorism Law). The DFSA actively engaged throughout the year in fostering a culture of AML/CFT compliance by regulated entities within the DIFC. The DFSA ensured that its AML/CFT regulatory regime is in line with the international standards set by FATF. The initial vetting of all applicants and the ongoing supervision of AML/CFT compliance remain high on the DFSA's agenda. Assessing the effectiveness of AML/CFT controls established and maintained by Firms forms a vital component of the ongoing risk assessment process. We test the

systems and controls of regulated entities in relation to AML/CFT, with particular emphasis on Know Your Customer (KYC) and STR processes. In 2011, 38 STRs (36 in 2010) were filed by regulated entities with the AMLSCU.

As part of its AML/CFT regime, the DFSA continued to review the level of compliance with relevant UN Security Council Resolutions. Further to the Dear SEO letters issued in January and March 2011 concerning the political and social unrest in the Middle East and North African region following the Arab Spring and the UN Security Council Resolutions 1970 and 1973 concerning Libya, the DFSA contacted all Senior Executive Officers of AFs and ASPs and requested positive confirmations in respect of the Libyan sanctions.

Training

The Supervision Division employs only seasoned practitioners who often have experience in both the private and public sectors. A key commitment in 2011 was the importance of continuous training, with a variety of courses offered to staff of all levels. This also manifested itself via our commitment to professional development training sessions to colleagues as well as our active participation in conferences and our commitment to the TRL Programme. The commitment to training is also an expectation we have of all supervised entities.

MARKETS

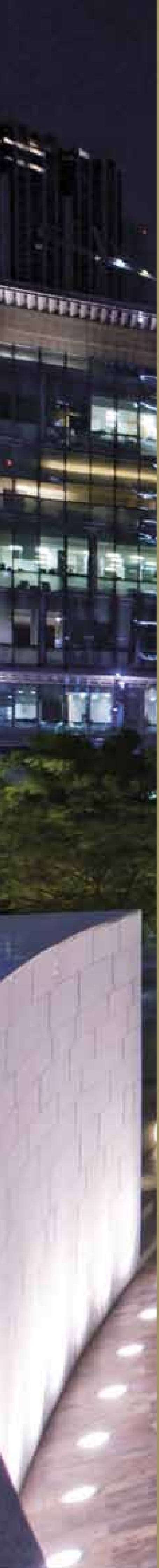
The DIFC is home to NASDAQ Dubai and the DME. The DFSA's Markets Division focused, in 2011, on three main areas: defining policy, supervision of the DIFC markets and clearing houses and fostering relationships and communication with stakeholders.

Policy Initiatives

The Markets Division progressed with the development of capital market policy in two areas. Firstly, a review was progressed to update the offering and securities Rules to recognise regulatory developments in peer jurisdictions and enhance the regulatory framework applicable to the issue of securities and the continuing obligations of Reporting Entities. These significant amendments to the DIFC's offer of securities regime, when they come into effect in early 2012, will result in further alignment with the offering and admittance to trading regime in the UK.

Effective from 1 October 2011, the DFSA operates NASDAQ Dubai's Official List of Securities and is now the single responsible authority for admitting companies to the List and monitoring continuing obligations and disclosures.

Secondly, the DFSA's Recognition regime was amended to now include Alternative Trading Systems and enables such platforms to connect remotely to DIFC Authorised Firms.



The finalisation of a significant piece of work by IOSCO will, in the future, determine the setting of the agenda of policy initiatives for the Markets Division: The review of the Authorised Market Institution (AMI) module, the public consultation regarding more market surveillance responsibilities and the introduction of transaction reporting are key examples of policy changes that will be considered. With proposed changes in regulation in the European Union (EU) and the US for markets and clearing houses, the Markets Division will in 2012 start a review of its AMI module to continue to be aligned with international best practices.

Supervisory activities

A review was completed in Q2 regarding the initial and ongoing compliance of exchange members. NASDAQ Dubai requested and obtained approval for the reduction of the Clearing Guarantee Fund and was given permission to affect certain changes to the clearing and settlement arrangements.

With the transfer of the Official List, a Regulatory Protocol was agreed that set out the operational responsibilities between the DFSA and NASDAQ Dubai with regard to Reporting Entities.

In liaison with the SCA, several members of NASDAQ Dubai were visited and risk assessments were completed with two objectives: to further understand the manner by which local brokers were being regulated; and to assess the extent of the compliance effort within these broker and clearing firms.

The Markets Division also provided approval to NASDAQ Dubai and DME regarding various product innovations, efficiency enhancements and the acceptance of new members from jurisdictions outside of the DIFC.

Reporting Entity Supervision

The Markets Division continued to monitor the disclosures of Reporting Entities (primarily equity and debt) throughout the year and actively engaged with them to ensure adequate, appropriate and timely disclosures were made. The international orientation of the DIFC exchanges and clearing houses is evidenced by the variety of the country of origin of the entities with listed equity securities, eg., the US, Kuwait, South Africa, Bahrain, Jordan, Saudi Arabia, Malaysia, Germany, India, and the UK.

The Markets Division approved one takeover and subsequent delisting from NASDAQ Dubai which was completed in the first half of 2011.

Relationship and Communication with stakeholders

The DFSA continued to be strongly committed to both public and private engagement with stakeholders to the DIFC capital markets. The Markets Division employed various initiatives in this regard including providing technical support

to working groups of international standard-setting bodies, hosted outreach sessions and actively participated in external presentations. The Markets Divisions' participation in industry conferences and expert panels covering a variety of topics including securities lending, custody, exchange communication protocols, corporate governance and commodity derivatives. The Markets Division also hosted two roundtables related to the amendments to the DIFC's offer and listing of securities regime and engaged with the local industry on financial product innovations like Exchange Traded Funds.

Co-ordination and co-operation between regulators attracted an increased focus, as the functioning of local capital markets was impacted by global events. In this regard, several initiatives were commenced. The interaction between the DFSA, the SCA and the CBUAE became a very important element of this work. A taskforce, with the objective to share thoughts and knowledge and develop ideas regarding the further development of the UAE capital markets and exchanges, was initiated in 2011. The taskforce delivered a briefing paper to the MSCI taskforce and created a better understanding of the infrastructure of the three individual exchanges involved namely: The Abu Dhabi Securities Exchange, the Dubai Financial Market and NASDAQ Dubai.

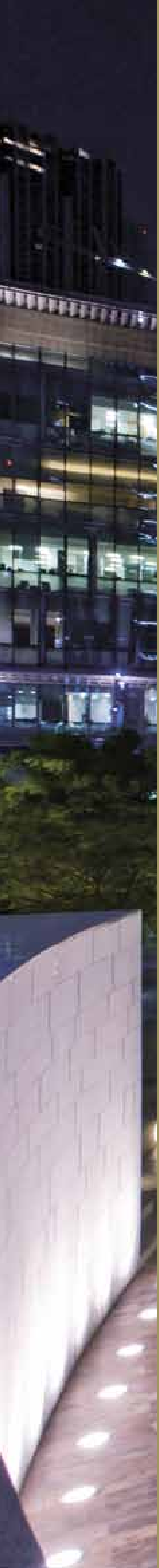
In addition to the outreach sessions, the DFSA provided feedback to policy initiatives which were put out for public consultation by other jurisdictions. The threshold for providing comments in this regard is whether rule and policy changes affect the access and functioning of the DIFC capital markets. In this light feedback was provided to the EU's Commission consultation on the review of the Markets in Financial Instruments Directive and the Basel Committee.

Training opportunities were created for participants in the DFSA's TRL Programme for Emiratis and SCA's SHARE Programme. Training was provided to SCA professional staff on the risks and benefits involved with margin trading and, for the first time, a secondment was completed by a DFSA Markets Division staff member in SCA's Supervision and Enforcement Departments.

Contributions by way of participation were also made to the comprehensive agenda of international standard-setting bodies, like IOSCO. The Markets Division was represented and provided technical input in the IOSCO Emerging Market Committee's Working Group on Day Trading in Emerging Markets, the Standing Committee on Commodity Derivatives and IOSCO-CPSS Working on Over-The-Counter (OTC) Derivatives Standards for Data Reporting.

Recognised Bodies and Recognised Members

The Recognition regime of the DFSA remains a very important element of the regulatory framework. It allows brokers and clearing members to connect remotely to one of DIFC's AMI's, whilst maintaining regulatory checks and controls to admission and transacting on an AMI.



In 2011, the Markets Division approved 2 applications from Firms seeking Recognition on NASDAQ Dubai. The Division also recognised 2 applications from Firms seeking Recognition for DME Membership. Turbulent market conditions resulted in some reorganisation of corporate structures and withdrawal of recognition by some participants. By year end, there were 35 Members on NASDAQ Dubai and 66 Members on the DME representing an overall decrease of 1 and 5 Members, respectively.

ENFORCEMENT

A Pre-emptive Approach

Stronger collaboration between the DFSA's Enforcement, Markets and Supervision Divisions has resulted in more efficient and effective regulation of financial services and markets in the DIFC.

The DFSA's experience is that early enforcement intervention, in collaboration with the supervisory divisions, generally results in quicker and more cost effective regulatory outcomes than would result from expensive and protracted investigations.

Consequently, the Enforcement Division collaborated earlier with the supervisory divisions to remedy misconduct and to mitigate damage to the reputation of the DIFC and the financial services industry in the DIFC.

This early intervention strategy has resulted from a review of DFSA regulatory processes that identified practices that better match DFSA and stakeholder expectations.

The Enforcement team responded to 12 referrals from the Supervision Division during the year and participated in 23 Markets Division Briefings which considered and recommended early intervention strategies.

Early intervention generally results in corrective behaviour and a reduction in the number of matters referred for investigation. The DFSA commenced 7 investigations in 2011, down from 9 the previous year.

Referrals to Enforcement

Where misconduct cannot be remedied through early intervention, the Supervision Division formally refers misconduct to the Enforcement Division to determine whether there are grounds to commence an investigation.

Investigations

The DFSA conducted 13 investigations in 2011, including 6 investigations carried over from 2010, up from 9 last year.

Investigations	Number
Investigations ongoing from 2010 into 2011	6
Investigations commenced in 2011	7
Investigations concluded in 2011	8
Investigations still on foot in 2011 as at 31 Dec	5

Investigations commenced in 2011 enquired into a range of conduct including:

- Poor policies and practices by AFs in relation to the identification and classification of clients;
- Systems and control failures, particularly in relation to the identification of clients, on-going client due diligence and the verification of clients' sources of funds;
- Prudential failures in relation to the maintenance of adequate capital resources;
- Providing false and misleading information to the DFSA;
- Failure to disclose material information to the DFSA; and
- Failure to co-operate fully with the DFSA.

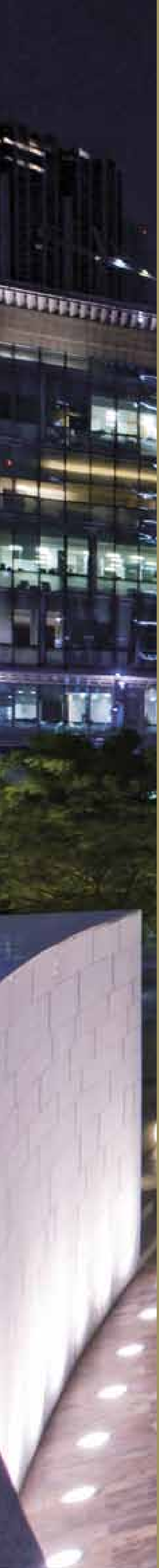
Enforcement Outcomes

There were 5 Enforcement outcomes during the year resulting in sanctions. The particulars of each sanction are disclosed on the DFSA website under Public Register/Regulatory Actions and are summarised as follows.

Arun Panchariya and Satish Panchariya

The DFSA imposed a fine of USD12,000 on each of Arun Panchariya and Satish Panchariya after it found that they provided false and misleading information to the DFSA and did not co-operate fully with the DFSA. Arun Panchariya and Satish Panchariya failed to disclose:

- all Director and Controller positions which they were required to disclose in their applications for Authorisation by the DFSA; and
- investigations and regulatory actions by a financial services regulator in relation to their conduct, and the conduct of companies associated with them, which they were required to disclose in their applications for Authorisation and/or after they became DFSA Authorised Individuals.



Saxo Bank Dubai Limited

Saxo Bank Dubai Limited was censured by the DFSA for its failure to comply with the DFSA's rules regarding the on-boarding of clients. The censure followed admissions by Saxo Bank Dubai Limited that it had breached the client take-on and AML systems and controls requirements in the DFSA's Rules by failing to:

- properly classify clients;
- enter into client agreements with clients;
- obtain sufficient and satisfactory verification of clients' identities, permanent addresses and sources of wealth;
- perform on-going due diligence on clients;
- adequately monitor client transactions; and
- establish and maintain appropriate systems and controls in relation to PEPs.

*E*TRADE Securities Limited*

The DFSA accepted an Enforceable Undertaking from E*TRADE Securities Limited following the identification by the DFSA of a number of deficiencies in E*TRADE Securities Limited's AML systems and controls. These deficiencies included failing to:

- obtain sufficient documentary evidence of its clients' origin of funds and/or sources of wealth;
- obtain, for some of its clients, sufficient documentary evidence of address or appropriately certified copy documents;
- have adequate polices in place to ensure that documentation concerning a client's identity remains accurate and up-to-date, resulting in E*TRADE Securities Limited's failure to request and obtain updated KYC documents;
- have policies, procedures, systems and controls to adequately address the need to assess the money laundering risk of its clients; and
- ensure that its compliance resources were sufficient, given the nature and scale of its business activities.

In the Enforceable Undertaking, E*TRADE Securities Limited agreed to pay a financial penalty of AED 1,101,000 (USD 300,000), with AED 734,000 (USD 200,000) payable within 30 days and the remaining amount of AED 367,000 (USD 100,000) being suspended subject to E*TRADE Securities Limited complying with the Enforceable Undertaking.

Siraj Capital Limited

The DFSA withdrew the licence and authorisation of Siraj Capital Limited for failing to maintain adequate capital resources and for failing to maintain adequate systems and controls. Siraj Capital failed to:

- maintain adequate capital resources during the period from 1 October 2010 to the date of the withdrawal of licence;

- have adequate systems and controls to enable it to determine and monitor its capital requirements;
- advise the DFSA immediately in regard to the occurrence of an action which would result in material changes in its capital adequacy or solvency;
- disclose a matter which reasonably tends to show a breach or likely breach of the DFSA Laws or Rules;
- ensure that its affairs were managed effectively and responsibly by its senior management; and
- have adequate systems and controls to ensure, as far as is reasonably practical, that it complied with legislation applicable in the DIFC.

Matters Under Consideration

The DFSA imposed further sanctions upon 3 Authorised Individuals and 3 Firms. The sanctions related to a range of conduct including the:

- failure to observe high standards of integrity and fair dealing;
- failure to maintain adequate capital resources;
- contravention of the limits imposed in relation to related party exposures;
- failure to have adequate systems and controls to ensure, as far as is reasonably practical, compliance with relevant legislation in the DIFC;
- failure to maintain and demonstrate the existence of adequate resources to conduct and manage its affairs;
- failure to deal in an open and co-operative manner with the DFSA and keep it informed of significant events;
- failure to meet applicable standards of corporate governance;
- failure to act with due skill, care and diligence;
- failure to comply with International Financial Reporting Standards; and
- failure to comply with International Standards of Auditing.

Financial Markets Tribunal

The FMT, an administrative tribunal of the DFSA, was called upon, for the first time, in 2011, to consider the merits of regulatory action referred to it by the DFSA. The FMT may hear and determine proceedings brought before it and has the power to impose sanctions and make orders. The outcome of its deliberations will not be known until early 2012.

Regulatory Appeals Committee

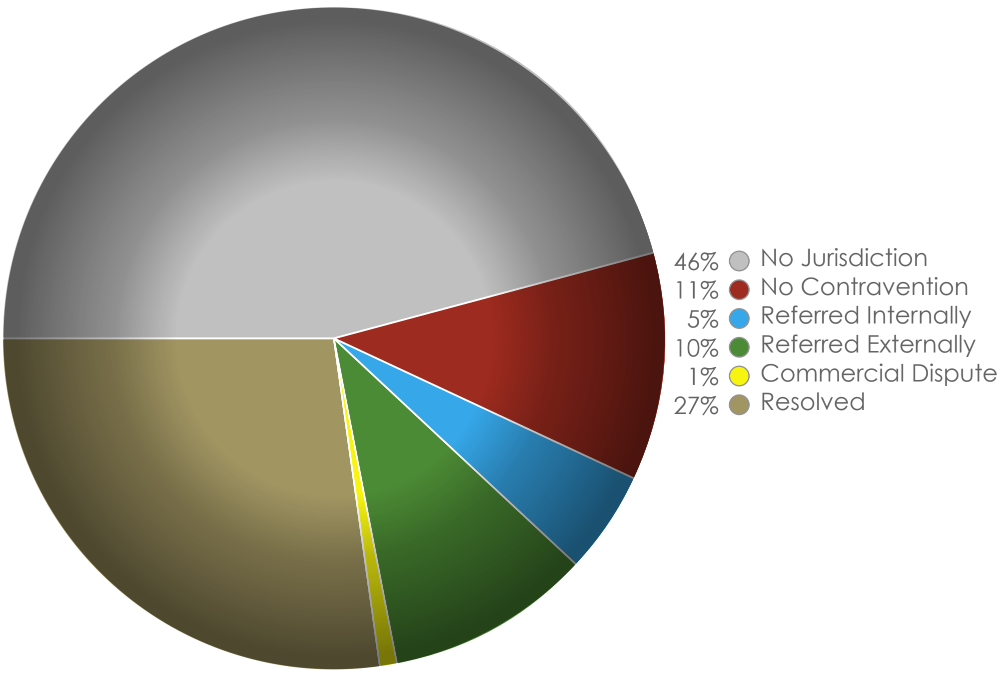
In 2011, the RAC handled the first appeals to have proceeded to hearing and decisions. A regulated person upon whom a sanction, such as a licence revocation, has been imposed, may appeal the DFSA's decision to the RAC. The RAC has several appeals under consideration, the outcome of which will not be known until early 2012.

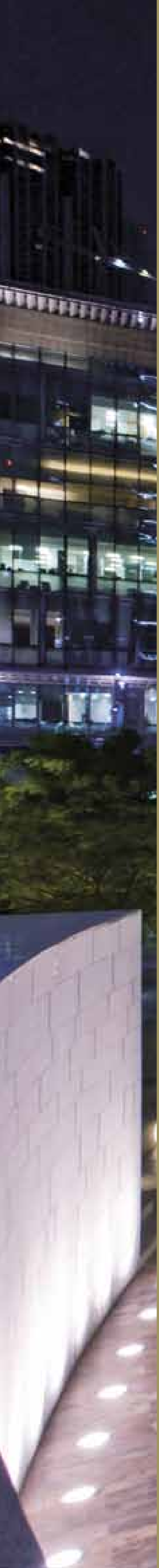
Complaints Management

Allegations of misconduct are received from many sources, including members of the public, and are an important source of intelligence for the DFSA. The DFSA encourages the public to make complaints when they believe a DFSA administered law or rule has been contravened. The DFSA assesses all complaints received and responds to all complaints within 24 hours of receipt. Complainants will generally be advised of the outcome of the assessment, though the DFSA's confidentiality obligations may preclude such disclosure, particularly if an investigation has been commenced. Complaints may be made to the DFSA via its e-portal which can be accessed via the DFSA website at **www.dfsa.ae**

The DFSA received 85 complaints during the year. Not all complaints result in an investigation. A significant proportion of complaints related to conduct that fell outside the DFSA's jurisdiction. In such circumstances, complainants are redirected to the appropriate regulator.

The chart below depicts how the DFSA finalised the complaints it assessed up to 31 December 2011.





International Assistance

The DFSA continued to liaise with, and provide enforcement related assistance to, both regional and international regulatory agencies throughout the year.

The agencies with which the DFSA shared information included:

- UK FSA;
- Serious Fraud Office, UK;
- US Commodities Futures Trading Commission;
- Banco de Portugal;
- Comissão do Mercado de Valores Mobiliários, Portugal;
- Interpol;
- Jersey Financial Services Commission;
- Bundesanstalt für Finanzdienstleistungsaufsicht;
- Securities and Exchange Board of India;
- Financial Market Authority, Austria;
- Financial Services Commission of Mauritius;
- SCA, UAE;
- Dubai Police;
- CBUAE; and
- Qatar Financial Centre Regulatory Authority.

Outreach

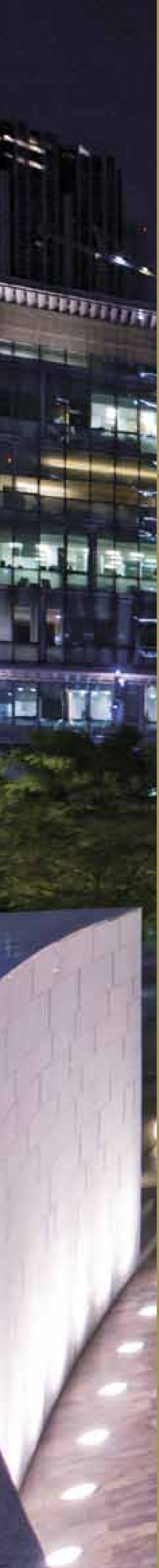
The Enforcement Division participated in the delivery of training programmes sponsored by IOSCO in June 2011. The Division also extended its outreach programme to a number of key regional and international organisations.

Consumer Protection

Unsuspecting and unsophisticated consumers continued to be targeted by unscrupulous merchants promoting fraudulent schemes requiring the payment of advance fees. These merchants used ever more sophisticated methods to attract investors. The Enforcement team acted proactively to educate consumers about the characteristics and perils of such schemes by publishing five 'Alerts' on the DFSA website and by engaging consumers through the targeted radio programmes and several print media in English and Arabic.

THE OFFICE OF GENERAL COUNSEL

In 2011, the Office of General Counsel continued to educate employees on the DFSA's values, especially the commitment to high standards of ethical conduct and integrity. Internally, the Office conducted ongoing reviews of policies, procedures and legislation, proposing revisions as needed. Externally, the Office worked with the DIFCA, the DIFC Courts and others to draft important legislation that will strengthen the DFSA's role as the independent regulator for the financial centre. In the face of political and economic challenges, the Office of General Counsel provided timely and high quality advice and support on a wide range of topics to the Board of Directors, its Committees and the Executive.



INTERNATIONAL RELATIONS

Co-operation and information sharing with fellow regulators remains critical in the current environment for an international centre such as the DIFC. By the end of 2011, the DFSA had a bi-lateral and multi-lateral MoU network with 115 regulators and supervisors across the globe.

A continued increase in activity by AFs in the DIFC and individuals and entities with links to the DIFC, has meant a corresponding increase in requests for assistance to and from fellow regulators. Consistent with its legal responsibilities and its commitments through MoUs, the DFSA has responded to more than 30 non-enforcement requests for information from its fellow regulators.

Reflecting the DFSA's aspirations to be involved not just in the implementation of new international standards but in their shaping, it has continued to participate in the work and objectives of the various financial standard-setting bodies. In fact, the DFSA provided comments on 26 consultation papers published by the standard-setters during the year.

Since 2010, the DFSA has been represented on a key working group of the BCBS, which is intensively revising the BCBS's Core Principles for effective banking supervision. As the revised core principles are adopted, the DFSA will review them and ensure that the banking supervisory framework in the DIFC remains compliant. The DFSA also continued to be an active participant in the Basel Consultative Group, a sub-group of the BCBS.

In the securities sector, the DFSA has also been directly involved in revising IOSCO's methodology, which allows securities regulators to measure their compliance with IOSCO's 38 Core Principles. The finalisation of the methodology allows the DFSA to conduct a fresh self-assessment of its regime against these new standards.

The DFSA is, in addition, a participant in IOSCO's newly reconstituted Commodities Standing Committee and is active in the OTC Derivatives Taskforce, both of which have been established to carry out work for the G20. The Standing Committee had, as a taskforce, been engaged in reporting on steps to enhance transparency of the oil financial market. It also completed a report on Principles for the Regulation and Supervision of Commodity Derivatives Markets. In October, the G20 called on the IOSCO Standing Committee to lead work, with the International Energy Agency, the International Energy Forum and Organisation of Petroleum Exporting Countries, on preparing recommendations on the functioning and oversight of the (crude oil) Price Reporting Agencies.

The Derivatives Taskforce completed its report, which was endorsed by the G20 who called on regulators of those markets to implement the report's recommendations

by the end of 2012. The DFSA will be undertaking a review against these recommendations to ensure continuing compliance with international standards.

In the insurance sector, a number of senior DFSA executives were involved in meetings with other IAIS members throughout 2011 to assist in the revision of IAIS Insurance Core Principles (ICPs), corresponding standards and guidance material. These were adopted by the IAIS membership at its annual meeting in October 2011. The DFSA is reviewing the finalised ICPs and associated material and will undertake a review of the DFSA Rulebook to identify areas of improvement.

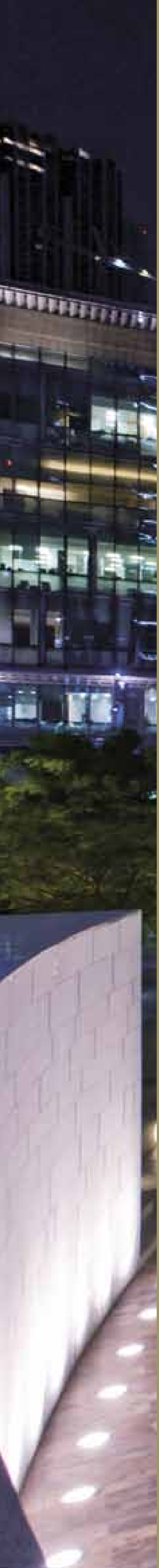
In July, the IAIS published a concept paper relating to a Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIG). A number of insurance entities in the DIFC are members of IAIG. ComFrame is intended to foster co-operation amongst supervisors and close regulatory gaps. ComFrame will be reviewed to ensure that the DFSA continues to meet its mission of regulation to international standards.

Islamic finance remained an important focus of the DFSA and it continued to be an active member of various committees and working groups of both AAOIFI and the IFSB. Currently, four IFSB working groups are mandated with the task of establishing standards for liquidity risk management, stress testing, capital adequacy and Basel III implementation and risk management for Takaful undertakings. Exposure drafts on stress testing and liquidity risk management standards were published in October.

The DFSA sits on AAOIFI's Audit and Governance Standards Committee and its Accounting and Auditing Standards Board, and remains proactive with comments regarding changes proposed to Shari'a governance standards and the nuances of Islamic accounting.

In relation to audit oversight, the DFSA is a member of the IFIAR, which, in April, adopted a set of Core Principles to serve the public interest and enhance investor protection by improving audit quality globally, including through independent inspections of auditors and audit firms. The Core Principles cover the structure of audit oversight, the operations of audit regulators and principles for inspection processes.

In other areas of accounting standards, the DFSA Chief Executive is a Member of the Consultative Advisory Groups of the IAASB and the IESBA. He also continues to participate in the work of the AOSSG, which is tasked with promoting the adoption of, and convergence with, International Financial Reporting Standards by jurisdictions in this extended region.



Apart from a successful second conference for regional auditors hosted by the DFSA in November, the DFSA welcomed and briefed some 35 visiting foreign delegations.

MoUs signed with the DFSA in 2011, include:

- Cayman Islands Monetary Authority on 5 April 2011;
- UAE Insurance Authority on 27 April 2011;
- The Reserve Bank of India on 16 June 2011;
- The Swiss Financial Market Supervisory Authority on 27 July 2011; and
- The Central Bank of Cyprus on 29 November 2011.

CORPORATE SERVICES AND OPERATIONS

Finance Department

Finance successfully ensured that the financial statements were presented in accordance with the accounting policies set out by the Audit and Risk Committee of the DFSA. The Department is responsible for budgeting, MIS reporting, fee invoicing, maintaining books of accounts, preparing financial statements, cash and bank management, payroll processing, receivables and payables management, procurement of goods and services, maintaining the fixed assets register and office multi-cover insurance.

The book of accounts and the annual audit for the financial year 2011 were completed within a month's time from the closure of the financial year. A clean audit report with no Management letter was presented to the Board of Directors in its meeting held in February 2012 and the accounts were approved by the Board in the same meeting. In April 2011, the Finance Department received a clean audit opinion from the internal auditors for the Authority Matrix Compliance review carried out by them for the year 2010.

During 2011, the annual review of the Finance policies manual, operational authority matrix and the associated processes was carried out whilst the Authority's accounting system was upgraded to improve and enhance various functionalities. These exercises further assisted the Finance Department in improving operational efficiencies, reducing transactions processing time and establishing tighter internal controls.

The Board receives regular reports on the actual financial performance of the DFSA at all its Board meetings throughout the year. Due to careful financial management, the DFSA has, for the seventh year running, controlled its expenditure within the approved budgets.

IT Department

The IT Department continued to improve the security and robustness of all internal and external systems, infrastructure and the IT governance framework that has been developed and strengthened over the last 6 years.

In 2011, 23 projects of varying size and complexity were successfully implemented and delivered. The IT Department operates on a semi-centralised model with core system knowledge being retained in-house and extensive outsourcing utilised on most larger-scale implementations.

Some highlights include: further enhancements to the core regulatory system were developed, ensuring that all business requirements from an enterprise-wide perspective were achieved and that the in-house system continues to be a central part of the regulatory divisions' activities. Moreover, a complete upgrade of the Electronic Prudential Reporting System was also successfully implemented, providing a faster and improved application for Firms to submit their financial returns and for internal stakeholders to collect and perform analysis on the data received.

IT security has continued to be of paramount importance and was further strengthened with the introduction of tighter controls on not only the external network and perimeter, but also on the internal network. The Department continued to ensure that it adopts and benchmarks itself against international technology best practices and IT governance standards.

Extensive external network penetration testing was conducted by an independent third party. This was the fifth time for such an exercise to be performed and it will continue to be repeated on an annual basis.

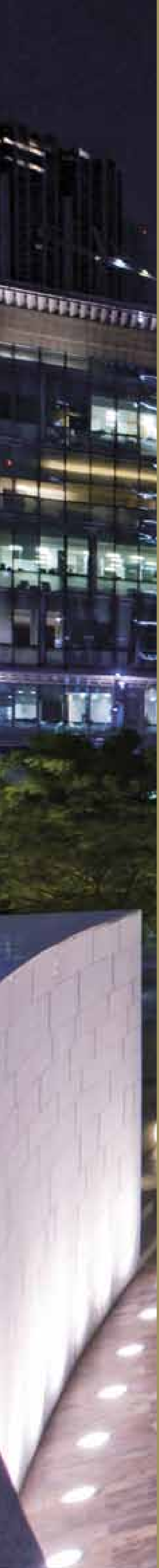
Projects and Risk Management Department

Extending and revising business processes continued to be a major focus of the Department. Projects and Risk Management worked with the Supervision Division on a major revision and rationalisation of its business processes and policies. Support for continuous improvement to all business units has been maintained, refining and enhancing existing core business processes to improve efficiency and control effectiveness.

Demand for Project Management support for cross-divisional projects continued throughout 2011. The Department provided project management for the reviews of Offered Securities Rules, Recognition Regime, Prudential Rules and Anti-Money Laundering provisions. A number of these projects are scheduled to conclude in 2012.

In addition, project management support was applied to a number of key international events and meetings hosted by the DFSA, reflecting the commitment to ensuring efficiency and delivering quality.

A number of independent Internal Audit reviews were conducted to report on the effectiveness of operations and overall compliance with procedures and controls.



Corporate Communications Department

Engagement and co-operation with the media, whether they be local or international, continued to be a priority for the Corporate Communications Department in 2011. Being able to communicate effectively, and in a timely manner, with stakeholders ensures that the DFSA delivers on its values of transparency and accessibility.

Profiling the Chief Executive and other DFSA Executives continued through interviews, article submissions for business magazines and regulatory journals, contributing chapters to various books as well as submitting information and statistics to many industry specific reports. Islamic finance, funds and corporate governance were this year's themes covered. Continuing to support regulatory events also provided a good platform for the DFSA to share news, information and legislation changes. To this end, many Executives participated in an array of conferences both in the UAE and abroad. The Corporate Communications team co-ordinated speaking engagements, panel participation, distribution of corporate materials and liasion with the media.

Internally, the DFSA hosted many outreach sessions throughout the year to many stakeholders on various subjects. The Corporate Communications team led the DFSA's communication strategy on various regulatory function projects that required forward planning and media liaison. The transfer of the List of Securities from NASDAQ Dubai to the DFSA in October is an example of such work.

A total of 15 media releases were distributed in English and Arabic in 2011 and all received wide coverage. Distribution is also managed by way of the subscription mechanism on the DFSA website. The number of subscribers has increased exponentially in the last 3 years. The team also managed all media enquiries, including arranging interviews with DFSA Executives on specific regulatory matters.

During the year, the Department issued 5 consumer alerts, 3 notices of amendments to legislation and 8 notices of consultation. These were distributed to DFSA stakeholders via the DFSA website subscription mechanism.

The modus operandi of internal communications within the DFSA received a boost with the introduction of a newly designed, streamlined and modern intranet. The corporate portal is an important and efficient way of sharing information internally. The team ensured functionality and feel of the new intranet by designing it around functional requirements and user usage, thereby enabling a seamless flow of information to everyone keeping them abreast of international regulatory developments, key DFSA statistics, key messages, PowerPoint presentations, publications, media releases, speeches and local business news. In addition, the delivery of the "Market Intel" report on a daily basis continued to provide staff with relevant information, economic data and political and market trends.

The team continued to provide essential translation and interpretation services to all regulatory and non-regulatory Divisions throughout the year and the Complaints section on the DFSA website was translated into Arabic so as to further our endeavours to reach a broader marketplace.

In 2007, the Corporate Communications team published the DFSA's first internal social newsletter designed and written for DFSA staff and in July 2011, the team published the 17th issue. Over the years, this has received very positive feedback and contributions to the publication have grown from strength to strength.
Other publications and leaflets produced in 2011 include:

- The DFSA in Action, Volume 7, January 2011, in English and Arabic;
- The DFSA 2011/2012 Business Plan, in English and Arabic;
- The 2010 Annual Report in English and Arabic;
- Code of Values and Ethics for DFSA staff, in English;
- Code of Values and Ethics for the DFSA Board of Directors, in English;
- The DFSA in Action, Volume 8, September 2011 in English and Arabic;
- A Quick Guide to Anti-Money Laundering and Combating the Financing of Terrorism Changes for Non-Financial Businesses and Professionals, in English;
- Applying for DFSA Authorisation, in English and Arabic;
- The DFSA's internal newsletter, the 13th Story; 3 editions in English were produced;
- A Guide to the DFSA's Funds Regime, in English;
- Who's Who (a DFSA internal booklet about employees), was produced in English; and
- Several workshop flyers, DFSA invitations and other marketing materials were produced in both English and Arabic.

Office Administration Department

The Administration Department's objective of providing a professional office environment to staff and visitors to the DFSA was successfully achieved. The team continued to respond promptly to all requests and also ensured that adequate administration support was available as required.

The annual asset verification process was successfully carried out and all required reports were submitted prior to the audit.

The office premises continued to be maintained internally, and all additional refurbishment and routine maintenance work continued to be carried out on a regular basis to ensure safety and improve the quality and functionality of the environment.

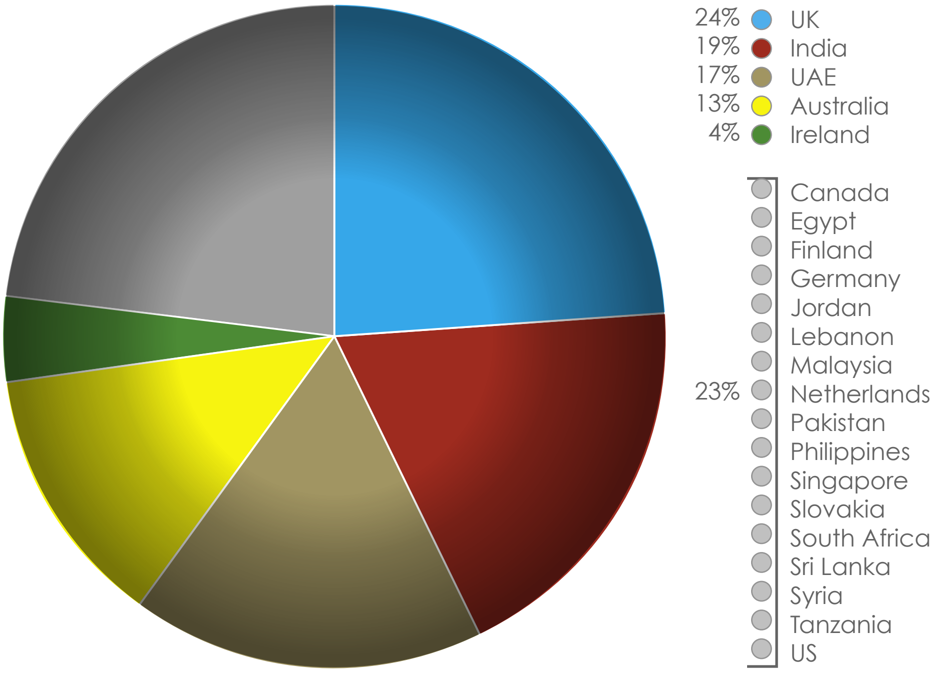
The offsite archival facilities continued to be utilised by all the Divisions, which in turn, has considerably increased the number of records stored at the facility. The team continued to manage the archival and retrieval process effectively.

The safety of all DFSA staff and visitors has also continued to be a major priority for the DFSA; therefore, the team ensured that the existing fire systems and emergency first aid equipment were regularly monitored, serviced and that routine inspections and testing were carried out in accordance with guidelines set by the Civil Defence Authority.

The contents of the Emergency Management Team folders required for Business Contingency Planning were also updated and distributed to all Emergency Management team members.

HUMAN RESOURCES DIVISION

Nationality Chart of the DFSA Staff



The HR team continued to focus on employee development and took a number of initiatives in 2011 to further enhance the skills and knowledge of our already experienced workforce. In the year, we facilitated 13 continuing professional development sessions on subjects ranging from Market Oversight and Enforcement to Assessing Operational Risk. We also arranged for significant learning interventions in the areas of Non-life Insurance Analysis and Solvency II, Conducting Investigative Interviews and Banking Analysis involving the majority of our regulatory staff.

In October, 25% of the regulatory staff commenced the International Compliance Association International Diplomas in AML to boost our capability in this area.

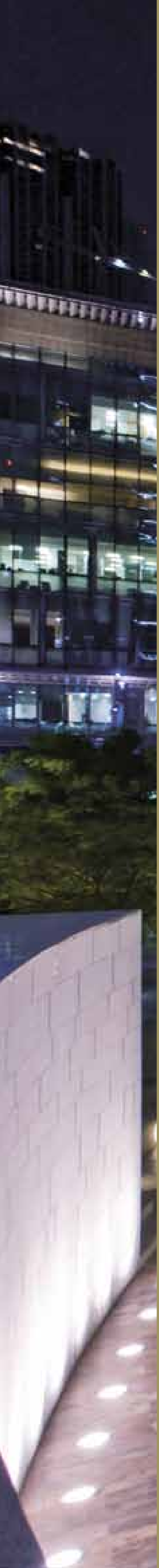
On average, each DFSA employee spent four days in training and development activities in the year, including participation in 18 training sessions and conferences internationally.

Our overall employee turnover in 2011 was at 6.45% having reduced from 7.8% in 2010. It is important to note that turnover from our regulatory staff has also fallen further, from 7.9% to 4.48% in 2011. This compares favourably to the financial services industry in the UAE and elsewhere in the region. The DFSA saw the departure of two long-serving legal executives to new opportunities in the year but these positions were successfully filled. The low turnover is in part, a reflection of the ongoing global financial crisis, but it is also due to our approach to employee remuneration and high levels of employee engagement.

In 2011, the HR Division conducted a follow-up ‘pulse’ survey of employee engagement. This followed a number of initiatives since our last survey in late 2009. The latest survey confirmed that our endeavours to enhance employee engagement in the areas of leadership, communication and empowerment had been particularly successful and in each of these factors, and others, the DFSA ranks favourably when compared to global best practices standards. Employee engagement continues to be reflected in employee attendance and absence rates and in overall effectiveness.

The HR team has maintained and enhanced the monitoring of remuneration in the marketplace through our involvement in major remuneration surveys, including those provided by major international consultancy firms.

Our recruitment initiatives have proven to be effective in 2011 with both international and local national hires, but the number of overseas candidates interviewed has been significantly reduced. The growing reluctance of potential candidates to consider opportunities in Dubai appears to be largely due to misperceptions on issues of personal security generated by social unrest elsewhere in the Middle East and also the general reluctance of individuals to make career changes during financial crises unless pushed to do so.



2011 KEY PERFORMANCE STATISTICS

THE DFSA IN ACTION IN 2011

• Firms Authorised	46
* Islamic Institutions	1
* Firms with an Islamic Window	2
• Individuals Authorised	451
• Ancillary Service Providers Registered	2
• Auditors Registered	1

POLICY AND LEGAL SERVICES IN 2011

• Consultation Papers (Policy, Laws and Rules) published	9
• Laws drafted	2
• Rule-making instruments made	8
• Waivers and Modifications applications	94
• Waivers and Modifications granted	83

SUPERVISION IN 2011

• Risk Assessments of Authorised Firms	129
• Risk Assessments of Ancillary Service Providers	15
• Risk Assessments of Registered Auditors	23
• Licence Variations	20
• Total number of applications received	54
• Applications processed within 50 business days	80%

MARKETS IN 2011

• Reporting Entities	0
• Take-over applications reviewed	0
• Notifications of Securities Offers from the DIFC	3
• Public enquiries	14
• Recognised Member applications approved	4
• Recognised Body applications approved	0
• Disclosure notifications related to Listed entities	932

ENFORCEMENT IN 2011

• Complaints received and assessed	85
• Referrals from Supervision/Markets Divisions	13
• Investigations commenced	7
• DIFC Courts applications and orders	0
• Enforcement Mutual Assistance requests received	11
• Enforcement Mutual Assistance requests made	8

INTERNATIONAL RELATIONS IN 2011

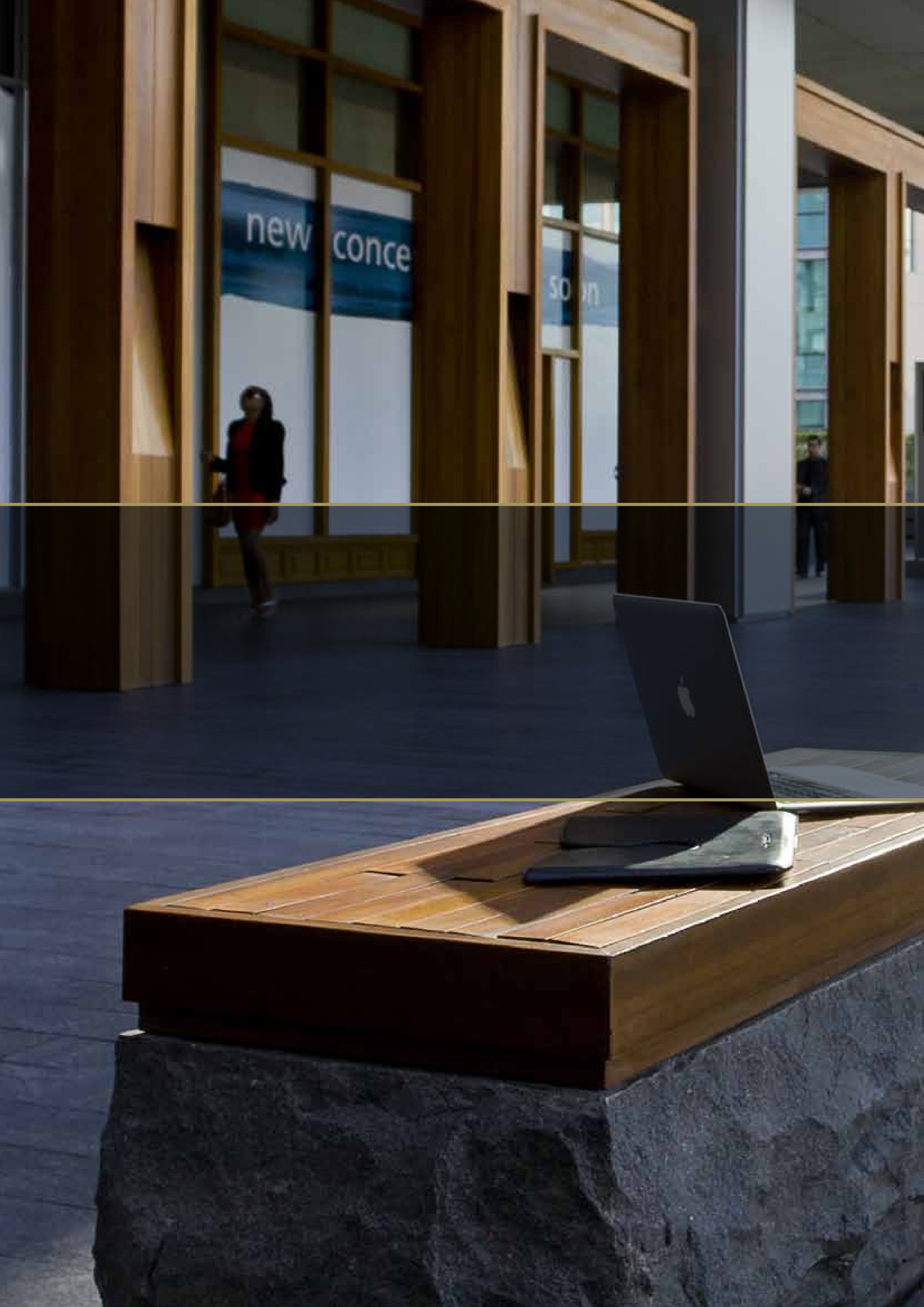
• Memoranda of Understanding signed in total	59
* Bi-lateral MoUs signed in total	56
* MMoUs signed in total	3
* Bi-lateral MoUs signed in 2011	5
• Regulatory requests for information and assistance	30
• Visiting foreign delegations received by the DFSA	35

CORPORATE SERVICES AND OPERATIONS IN 2011

• Statutory accounting and reporting obligations received and published unqualified auditors' report on time	100% compliance
• Financial performance within approved operating budget	100% compliance
• 2011 surplus as % of total expenditure	8.74%
• 2011 surplus as % of total income	8.04%

HUMAN RESOURCES IN 2011

• Tomorrow's Regulatory Leaders: Graduate intake	4 (5 in 2010)
• Tomorrow's Regulatory Leaders: Scholarships	2 (2 in 2010)
• Number of employees	124 (121 in 2010)
* International	102 (100 in 2010)
* Emirati	22 (21 in 2010)
• Turnover	6.45% (7.8% in 2010)
* Regulators	4.48% (7.9% in 2010)
* Non-regulators	7.02% (6.8% in 2010)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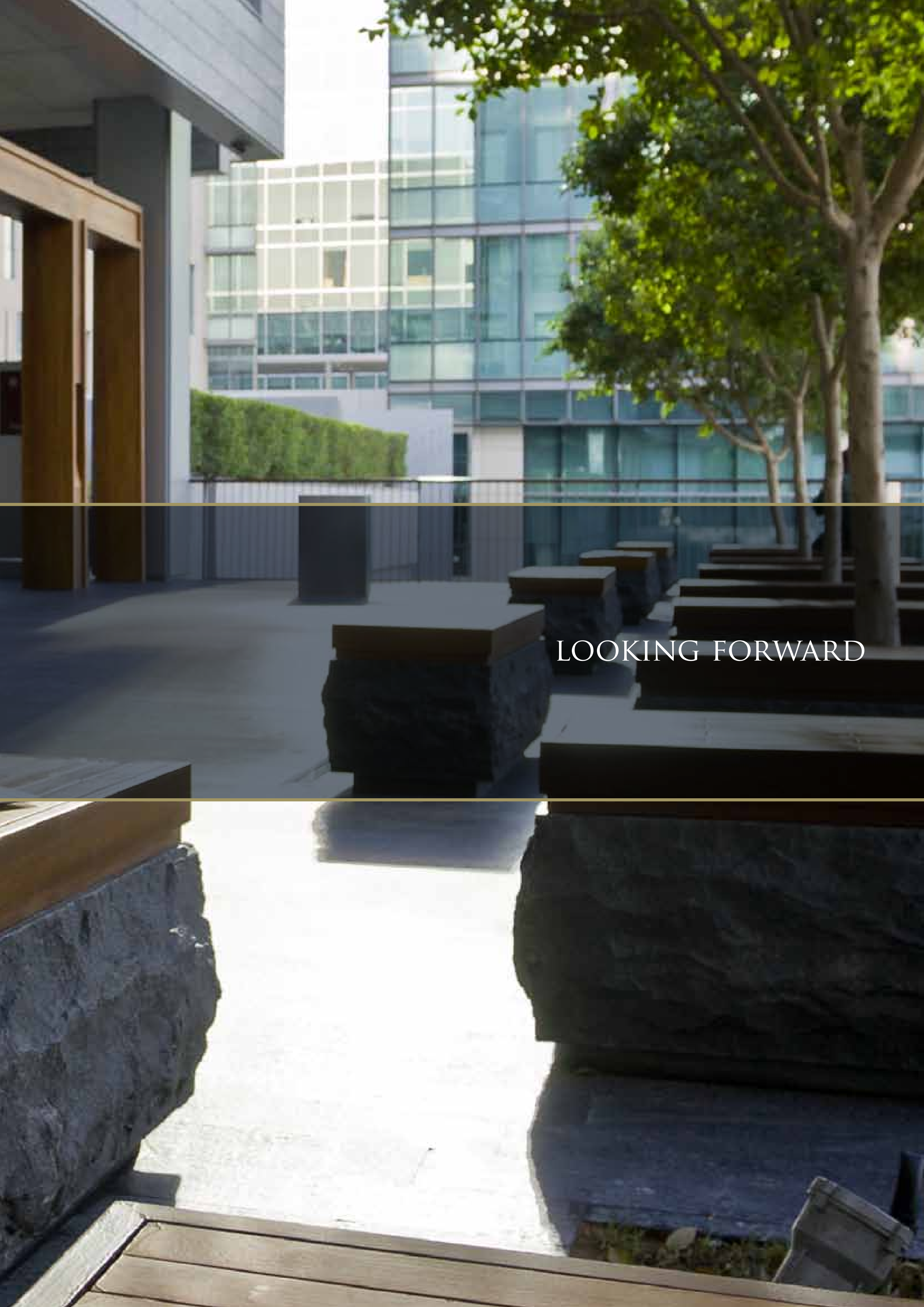

LOOKING FORWARD

LOOKING FORWARD

The DFSA has identified four strategic themes that will be the key drivers of its business activities in 2012/13. They are:

Internationalisation: The regulatory agenda is now being set at an international level, and the DFSA needs to be engaged with this, both to ensure that standards take proper account of the needs of jurisdictions like our own and to ensure that we have the knowledge to implement the standards as they emerge. Our involvement in this process, despite our size, depends on the quality of our staff, on the thought leadership we can exercise and on our respect as a credible and effective regulator. The DFSA will, therefore, continue to be heavily engaged in influencing international standards by direct participation in relevant bodies and responding to consultations.

The international standards agenda has been the dominant driver of reviews of our regulatory regime currently being undertaken and planned over the next two years. In 2012, preparation for and the conclusion of a successful FSAP is a key priority. As already mentioned, this will involve careful assessment of our regime against the Core Principles of the BCBS, IAIS and IOSCO. We are also reviewing our prudential regime for Firms other than insurers, including the adoption of the Basel III standards, and our AML/CFT regime to ensure compliance with the latest version of the FATF 40+9 recommendations and to consider some broader issues related to client take-on. Implementing these and other standards will continue to absorb significant resources.

Quality: The pursuit of our regulatory objectives in a growing centre, with the effects of the financial crisis still playing out, will demand high quality in all our regulatory and support functions. We need to conduct all our regulatory responsibilities to the highest standards, with a proper focus on risk within the risk appetite of our Board. Refinements will, therefore, continue to be made to the way in which risk is assessed and data management and financial reports will be revisited to ensure the availability of timely, accurate and relevant data.

Our regulatory regime needs to keep pace with international developments and with changes in financial markets. The combination of continuing growth in the number of firms regulated, the increasing maturity of the regulated population, and the need to evaluate and absorb major changes in the international regime will require us to recruit and retain regulatory staff with substantial relevant experience. We shall also need to develop and update the skills of existing staff. Efforts will continue to develop subject matter experts for specific products and services, and where necessary, specific expertise will be targeted in recruitment.

Collaboration with other regulators: The financial crisis has demonstrated how rapidly systemic or group risks can cross jurisdictional boundaries. The international community is responding to this through greater emphasis on collaboration and exchange of information both ad hoc and through structured mechanisms like supervisory colleges. We need to be active and engaged collaborators with whom our fellow regulators are happy to deal. One particular focus is the continuing development of our relationships with other UAE regulators. We shall also give priority to developing relationships with regulators in those countries, primarily in Asia, from which we expect an increased proportion of applicants in the future.

Anticipation: We need to be forward-thinking in our regulation. Where possible, we should anticipate problems in regulated entities, and when problems come to our notice, we should react to them speedily. We need to assess developing changes in the business models of firms within the Centre, and to ensure that we have the knowledge and skills to supervise them. We shall also need to assess the implications for our regulatory regime of changes in technology, most obviously in the area of exchanges and trading systems. We should continue to be thought leaders in identifying and analysing the possible regulatory issues of the future, and should also identify how regulation might appropriately support the strategy for DIFC to be a global financial hub.

APPENDICES

APPENDIX 1

Financial Statements for the year ended 31 December 2011

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DUBAI FINANCIAL SERVICES AUTHORITY

Report on the financial statements

We have audited the accompanying financial statements of Dubai Financial Services Authority ("DFSA") which comprise the balance sheet as at 31 December 2011 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies set out on pages 96 to 98 of the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements have been prepared, in all material respect, in accordance with the accounting policies set out on pages 96 to 98 of the financial statements.

PricewaterhouseCoopers
Dubai, United Arab Emirates
14 February 2012

BALANCE SHEET

		31 December			
		2011		2010	
	Note	AED'000	US$'000	AED'000	US$'000
Assets					
Non-Current Assets					
Property and equipment	3	3,122	851	3,036	825
Intangible assets	4	3,096	844	2,704	737
		6,218	1,695	5,740	1,562
Current Assets					
Prepayments and receivables	5	11,903	3,243	11,251	3,066
Cash and bank balances	6	60,139	16,388	85,646	23,337
		72,042	19,631	96,897	26,403
Total Assets		78,260	21,326	102,637	27,965
Equity					
Contributed capital and reserves					
Contributed capital		5,755	1,570	32,180	8,770
Accumulated surplus		-	-	27,816	7,574
Regulatory reserve	2.5	27,469	7,485	-	-
Total Equity		33,224	9,055	59,996	16,344
Liabilities					
Non-Current Liabilities					
Provision for employees' end of service benefits	7	14,683	4,001	11,658	3,177
Current Liabilities					
Fee income received in advance	2.3	23,993	6,538	25,032	6,821
Creditors, accruals and other liabilities	8	6,360	1,732	5,951	1,623
		30,353	8,270	30,983	8,444
Total Liabilities		45,036	12,271	42,641	11,621
Total Equity and Liabilities		78,260	21,326	102,637	27,965

These financial statements were approved for issue by the Board of Directors on 14 February 2012.

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Signed on behalf of the DFSA Board

 The Notes on pages 96 to 103 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

		Year ended 31 December			
		2011		2010	
	Note	AED'000	US$'000	AED'000	US$'000
Appropriations from the Government	2.4	117,440	32,000	117,440	32,000
Fee income	2.3	32,224	8,780	32,875	8,958
Interest and other income		735	200	1,283	348
Total Income		150,399	40,980	151,598	41,306
General and administration expenses	9	(123,700)	(33,700)	(120,220)	(32,760)
Board of Directors' expenses	11	(14,624)	(3,984)	(13,066)	(3,560)
Total Expenses		(138,324)	(37,684)	(133,286)	(36,320)
Surplus for the year		12,075	3,296	18,312	4,986

STATEMENT OF CHANGES IN EQUITY

	Contributed Capital		Accumulated surplus		Regulatory Reserve		Total	
	AED'000	US$'000	AED'000	US$'000	AED'000	US$'000	AED'000	US$'000
Year ended 31 December 2010								
At 1 January 2010	32,180	8,770	9,504	2,588	-	-	41,684	11,358
Surplus for the year	-	-	18,312	4,986	-	-	18,312	4,986
At 31 December 2010	32,180	8,770	27,816	7,574	-	-	59,996	16,344
Year ended 31 December 2011								
At 1 January 2011	32,180	8,770	27,816	7,574	-	-	59,996	16,344
Remittance to the Government (Note 13)	(26,425)	(7,200)	(12,422)	(3,385)	-	-	(38,847)	(10,585)
Surplus for the year	-	-	12,075	3,296	-	-	12,075	3,296
Transfer to regulatory reserve (Note 2.5)	-	-	(27,469)	(7,485)	27,469	7,485	-	-
At 31 December 2011	5,755	1,570	-	-	27,469	7,485	33,224	9,055

CASH FLOW STATEMENT

		Year ended 31 December			
		2011		2010	
	Note	AED'000	US$'000	AED'000	US$'000
Operating activities					
Surplus for the year		12,075	3,296	18,312	4,986
Adjustments for the following items:					
Depreciation	3	2,168	589	3,234	881
Amortisation	4	1,552	423	1,560	425
Loss on write off of property and equipment	9	3	1	-	-
Provision for employees' end of service benefits	7	4,294	1,170	3,385	922
Interest income		(715)	(195)	(1,248)	(340)
Operating cash flows before payment of employees' end of service benefits and movements in working capital		**19,377**	**5,284**	**25,243**	**6,874**
Payment of employees' end of service benefits	7	(1,269)	(346)	(1,264)	(344)
(Excess of)/short on amount paid to the Government of Dubai over fines collected		(612)	(167)	1390	379
Changes in working capital:					
Prepayments and receivables, net of interest receivables		(778)	(211)	(848)	(233)
Fee income received in advance		(1,039)	(283)	2,197	600
Creditors, accruals and other liabilities net of amount payable to Government of Dubai	8	1,021	276	(42)	(10)
Net cash generated from operating activities		**16,700**	**4,553**	**26,676**	**7,266**
Investing activities					
Purchase of property and equipment and intangible assets	3, 4	(4,201)	(1,146)	(3,367)	(915)
Increase in balances held in employees' end of service benefits bank accounts	6	(2,708)	(738)	(11,975)	(3,263)
Interest received		841	229	1,089	297
Net cash used in investing activities		**(6,068)**	**(1,655)**	**(14,253)**	**(3,881)**
Financing activities					
Remittance to the Government	13	(38,847)	(10,585)	-	-
Net (decrease)/increase in cash and cash equivalents		**(28,215)**	**(7,687)**	**12,423**	**3,385**
Cash and cash equivalents, beginning of the year	6	73,671	20,074	61,248	16,689
Cash and cash equivalents, end of the year	6	45,456	12,387	73,671	20,074

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 LEGAL STATUS AND ACTIVITIES

The Dubai Financial Services Authority ("DFSA"), was established by Dubai Law No (9) of 2004 as an independent regulatory authority responsible for the regulation of financial and related activities at the Dubai International Financial Centre ("DIFC"). In accordance with Dubai Law No. (9) of 2004, the DFSA is and will continue to be independently funded by the Government of Dubai ("the Government") to enable it to exercise its powers and perform its functions.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of Preparation

The financial statements have been prepared under the historical cost convention.

2.2 Foreign currency translation

The functional currency of the DFSA, being the currency in which the majority of its transactions are denominated, is the Arab Emirates Dirham (AED).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

For presentation purposes only, these financial statements have also been translated into US Dollars at the fixed rate of exchange of US Dollar 1 = AED 3.67.

2.3 Fee income

Application fees are recognised as income when invoiced. Annual fees are recognised as income over the period to which they relate. Fee income received in respect of the following year is treated as fee income received in advance and reflected under current liabilities.

2.4 Funds received from and remitted to the Government

Funds received from the Government for meeting budgeted operational expenditure for the year are recognised in the statement of financial performance as appropriations from the Government.

Funds received from the Government for meeting budgeted operational expenditure for the following year are treated as funds received in advance under current liabilities and are appropriated in the financial statements of the following year.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Funds received from and remitted to the Government (Continued)

Funds remitted to the Government are recognised as an appropriation from accumulated surplus or as a reduction in contributed capital, as appropriate, in the year in which the appropriation is approved by the Board of Directors of the DFSA.

2.5 Regulatory reserve

The regulatory reserve has been set up to meet contingencies arising from the discharge of DFSA's regulatory responsibilities. The Directors do not consider this reserve to be distributable and amounts appropriated to it are at the discretion of the Directors. Transfers from the regulatory reserve to the accumulated surplus/deficit are made to meet contingencies in the year in which these arise.

2.6 Employee benefits

A provision is made for the estimated liability for annual leave costs as a result of services rendered by eligible employees up to the balance sheet date. This provision is included in employee related accruals in creditors, accruals and other liabilities.

Provision is made for the full amount of end of service benefits due to non-UAE nationals, in accordance with the Employment Law – DIFC Law No. (4) of 2005, for their periods of service up to the balance sheet date. This provision is included in non-current liabilities. The provision is fully funded with funds specifically set aside and held in a separate bank account.

Pension contributions in respect of UAE nationals under a defined contribution scheme are recognised as an expense in the period to which they relate.

2.7 Fines

Fines levied and collected by the DFSA in connection with the breach of regulations by regulated entities in the DIFC are not considered as income earned by the DFSA in the normal course of business and are, therefore, remitted directly to the Government of Dubai annually, following approval of the financial statements by the Board of Directors of the DFSA.

2.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

	Years
Leasehold improvements	5
Fixtures and fittings	3
Office equipment	3
Computer equipment	3
Motor vehicles	3

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property and equipment (Continued)

Capital work-in-progress, comprising both tangible and intangible assets, is stated at cost and transferred to the appropriate asset category when it is brought into use.

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying amounts of the assets disposed of and are taken into account in determining the surplus/deficit for the year. Repairs and renewals are charged to the statement of financial performance when the expense is incurred.

2.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and are amortised over their expected useful lives of 3 years.

2.10 Fees receivable

Fees receivable are carried at anticipated realisable value. Specific provision is made for fees receivable that are considered doubtful for recovery. Bad debts are written off during the period in which they are identified.

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, in current accounts with bank and bank call deposits with original maturity of less than three months.

2.12 Provisions

Provisions are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation arising as a result of past events and a reliable estimate of the amount of the obligation can be made.

3 PROPERTY AND EQUIPMENT

	Leasehold improvement	Fixtures and fittings	Office equip-ment	Computer equip-ment	Motor vehicles	Capital work in progress	Total
In AED'000							
Cost							
At 1 January 2011	13,699	4,018	1,040	9,090	229	753	28,829
Additions	179	43	57	2,229	-	1,693	4,201
Transfer from capital work in progress	-	-	-	474	-	(474)	-
Transfer to intangible assets (Note 4)	-	-	-	-	-	(1,944)	(1,944)
Write off	-	(4)	(220)	(663)	-	-	(887)
At 31 December 2011	13,878	4,057	877	11,130	229	28	30,199
Depreciation							
At 1 January 2011	13,239	3,983	964	7,378	229	-	25,793
Charge for the year	391	23	70	1,684	-	-	2,168
Write off	-	(4)	(217)	(663)	-	-	(884)
At 31 December 2011	13,630	4,002	817	8,399	229	-	27,077
Net book amounts							
At 31 December 2011	**248**	**55**	**60**	**2,731**	**-**	**28**	**3,122**
At 31 December 2010	**460**	**35**	**76**	**1,712**	**-**	**753**	**3,036**
In US$'000							
Cost							
At 1 January 2011	**3,733**	**1,096**	**282**	**2,477**	**62**	**205**	**7,855**
Additions	49	10	17	608	-	462	1,146
Transfer from capital work in progress	-	-	-	129	-	(129)	-
Transfer to intangible assets (Note 4)	-	-	-	-	-	(530)	(530)
Disposals/write off	-	(1)	(60)	(181)	-	-	(242)
At 31 December 2011	3,782	1,105	239	3,033	62	8	8,229
Depreciation							
At 1 January 2011	3,607	1,086	263	2,012	62	-	7,030
Charge for the year	107	5	19	458	-	-	589
Write off	-	(1)	(59)	(181)	-	-	(241)
At 31 December 2011	3,714	1,090	223	2,289	62	-	7,378
Net book amounts							
At 31 December 2011	**68**	**15**	**16**	**744**	**-**	**8**	**851**
At 31 December 2010	**126**	**10**	**19**	**465**	**-**	**205**	**825**

4 INTANGIBLE ASSETS

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Cost				
At 1 January	8,020	2,185	6,025	1,642
Additions	-	-	174	47
Transfer from capital work in progress (Note 3)	1,944	530	1,821	496
At 31 December	9,964	2,715	8,020	2,185
Amortisation				
At 1 January	5,316	1,448	3,756	1,023
Amortisation	1,552	423	1,560	425
At 31 December	6,868	1,871	5,316	1,448
Net book amount at 31 December	3,096	844	2,704	737

Intangible assets represent purchased software.

5 PREPAYMENTS AND RECEIVABLES

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Prepayments	11,816	3,219	10,845	2,955
Staff advances	24	7	216	59
Other receivables	63	17	190	52
	11,903	3,243	11,251	3,066

6 CASH AND BANK BALANCES

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Cash in hand	13	4	11	3
Current accounts	16,836	4,588	17,665	4,813
Fixed deposit accounts	43,290	11,796	67,970	18,521
Total cash and bank balances	60,139	16,388	85,646	23,337
Less: Balances held in employees' end of service benefits bank accounts	(14,683)	(4,001)	(11,975)	(3,263)
Cash and cash equivalents	45,456	12,387	73,671	20,074

Balances held in employees' end of service benefits bank accounts represent funds specifically set aside to meet the DFSA's obligation in respect of employees' end of service benefits (Note 2.6), and, accordingly, these funds are not available to finance the day to day operations of the DFSA.

All bank balances are held with a bank licensed in the United Arab Emirates. The interest rate on fixed deposit accounts was in the range of 0.28% to 1.90% per annum at 31 December 2011 (2010: 1.55% to 2.00%).

7 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
At the beginning of the year	11,658	3,177	9,537	2,599
Provision made during the year (see below)	4,294	1,170	3,385	922
Payments during the year	(1,269)	(346)	(1,264)	(344)
At the end of the year	14,683	4,001	11,658	3,177

The provision made during the year is charged as follows:

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Staff costs (Note 10)	4,201	1,145	3,321	905
Other Board expenses	93	25	64	17
	4,294	1,170	3,385	922

8 CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Trade creditors	1,805	492	1,235	337
Employee related accruals	2,172	592	1,426	389
Other accruals	1,473	400	1,768	482
Amount payable to the Government of Dubai (i)	910	248	1,522	415
	6,360	1,732	5,951	1,623

(i) The amount payable to the Government of Dubai represents fines levied and collected by the DFSA in connection with the breach of regulations by regulated entities in the DIFC.

9 GENERAL AND ADMINISTRATION EXPENSES

	Year ended 31 December 2011		Year ended 31 December 2010	
	AED'000	US$'000	AED'000	US$'000
Staff costs (Note 10)	97,982	26,700	92,515	25,212
Office rent	6,001	1,635	6,960	1,896
Depreciation (Note 3)	2,168	589	3,234	881
Training, conferences and seminars	3,817	1,040	3,189	869
Communication and IT systems and equipment maintenance	3,259	889	3,039	828
Recruitment costs	864	236	1,460	398
Legal, consultancy and professional fees	2,228	607	2,881	785
Amortisation (Note 4)	1,552	423	1,560	425
Marketing expenses	771	210	969	264
Vehicle lease and maintenance	277	76	261	71
Loss on write off of property and equipment	3	1	-	-
Other expenses	4,778	1,294	4,152	1,131
	123,700	33,700	120,220	32,760

10 STAFF COSTS

Salaries	54,247	14,781	53,100	14,472
Other benefits	39,534	10,774	36,094	9,835
Employees' end of service benefits (Note 7)	4,201	1,145	3,321	905
	97,982	26,700	92,515	25,212

11 BOARD OF DIRECTORS' COSTS

Retainer fees	5,347	1,457	5,147	1,402
Attendance fees	2,807	765	3,024	824
Travelling	2,555	696	1,861	507
Others	3,915	1,066	3,034	827
	14,624	3,984	13,066	3,560

12 OPERATING LEASE COMMITMENTS

The lease commitments under non-cancellable operating leases are as follows:

	2011 AED'000	2011 US$'000	2010 AED'000	2010 US$'000
Not later than 1 year	6,001	1,635	-	-
Later than 1 year and no later than 5 years	6,001	1,635	-	-
	12,002	3,270	-	-

13 REMITTANCE TO THE GOVERNMENT

At the meeting of the Board of Directors held on 9 June 2011, the Board approved the remittance to the Government of Dubai of AED 12,422,000 (US$ 3,385,000) from accumulated surplus and AED 26,425,000 (US$ 7,200,000) from contributed capital. Accordingly, these amounts have been reflected as remittance to the Government in the statement of changes in equity.

APPENDIX 2

Board and Senior Officers Remuneration Disclosure

Disclosure of Remuneration:

The following table sets forth the total remuneration received or due and receivable for the fiscal year ended December 31, 2011 and December 31, 2010 by the Board and Senior Officers of the DFSA.

Remuneration of the Chairman and Non-Executive Board Members:

Remuneration bands	2011 Board Members	2010 Board Members
Amounts in USD		
$150,001 to $200,000	9	9
$200,001 to $250,000	2	2
>$250,001	1	1
	12	12
	2011($)	2010($)
The aggregate amount of remuneration of non-Executive Board Members shown above:		
	2,485,532	2,422,649

Notes:

(1) Remuneration is pro-rated based on actual duration of service during the year.

(2) Remuneration of non-Executive Board Members is comprised primarily of an annual retainer plus meeting attendance fees (for meetings of the full Board and its committees). Travel allowances are also paid. Board retainer fees during 2011 were US$ 89,968 (Chairman's retainer fee as of 28th August 2011 was US$ 440,000 per annum). Board meeting attendance fees were US$ 6,544 per meeting (Chairman's meeting attendance fee as of 28th August 2011 was US$ 15,000 per meeting).

(3) Committee membership fees during 2011 were US$ 6,544 per Committee (Committee Chairman fee US$ 13,086). Committee meeting attendance fees were US$ 2,617 per meeting.

(4) The Chairman of the DFSA does not receive fees for membership of Committees or for attendance at Committee meetings. The Chief Executive of the DFSA does not receive fees for membership of the Board or its Committees or for attendance at Board meetings or Committee meetings.

(5) The total remuneration includes a payment of US$ 8,258 (US$ 18,241 in 2010) paid to one of the Board Members for professional services rendered during the year.

Remuneration of the Chief Executive and Senior Officers:

Remuneration bands	2011 Executives	2010 Executives
Amounts in USD		
$10,001 to $100,000	1	1
$200,001 to $300,000	2	0
$300,001 to $400,000	1	2
$400,001 to $900,000	12	13
> $900,000	1	1
	17	17

	2011 $	2010 $
The aggregate amount of remuneration of Executives shown above:		
	8,997,562	9,261,048

Executives remuneration included in the above comprised:	2011 $	2010 $
Salaries and Performance Bonuses	6,529,870	6,835,613
Other emoluments and benefits	2,467,692	2,425,435

Notes:

(1) Salaries and bonuses are pro-rated based on actual duration of service during the year.

(2) Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical and life insurance and end of service accrual for the year 2011.

APPENDIX 3

AUTHORISED FIRMS LICENSED IN 2011

ACWA Power Reinsurance Co Limited
Allfunds Bank, SA
Argo Re (DIFC) Limited
Attijariwafa Bank Middle East Limited
Australia and New Zealand Banking Group Limited
Aviva Investors Global Services Limited
Bank Vontobel (Middle East) Ltd
BGC Brokers LP
BNP Paribas Wealth Management (DIFC) Limited
Dar Al Mal Limited
Dexia Asset Management Luxembourg SA
Elara Capital PLC
EME Capital LLP
Euroclear Bank SA/NV
First Capital of Switzerland Investment Bank Ltd
Global Star PCC Limited
GR Risk Partners Limited
HETCO Advisory Services UK Limited d/b/a HETCO Dubai
I2BF Capital Management Limited
IL&FS Global Financial Services (ME) Limited
Indus Valley Capital (UAE) Limited
Institutional Cash Distributors Limited
Invest AD MEA Limited
Investbridge Capital Limited
IS Investments Gulf Limited
Jefferies International Limited
Liongate Capital Management Limited
Macquarie Bank Limited
MFS International (UK) Limited
Now Health International Limited
Paladin Capital (Middle East) Limited
Principal Global Investors LLC
Quantum Investment Bank Limited
RGA Reinsurance Company Middle East Limited
Robeco Institutional Asset Management BV
Royal Investment Bank Limited
Russell Investments Limited
Samsung Fire & Marine Insurance Co. Ltd
Sharekhan Investment Services Limited
Silk Invest Limited
Sun Global Investments Limited
Sun Life Financial Distributors (Bermuda) Ltd

The Family Office Co BSC (c)
Union Bancaire Privée (Middle East) Limited
United Investment Bank Limited
Western Asset Management Company Limited

Refer to the DFSA website for the full public register of all Authorised Firms.

APPENDIX 4

ANCILLARY SERVICE PROVIDERS REGISTERED IN 2011

The Di Francia Firm (Dubai) Ltd
Tricor Praesidium Limited

Refer to the DFSA website for the full public register of all Ancillary Service Providers.

APPENDIX 5

AUDITORS REGISTERED IN 2011

Mazars Chartered Accountants

Refer to the DFSA website for the full public register of all Registered Auditors.

APPENDIX 6

MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2011

JP Morgan Securities LLC	DME
National Bank of Abu Dhabi	NASDAQ
Wafa Financial Services LLC	NASDAQ
Wolverine Holdings LP	DME

Refer to the DFSA website for the full public register of all Authorised Market Institutions.

APPENDIX 7

DFSA ADMINISTERED LAWS AND RULES in 2011

DFSA Laws

The following laws were enacted by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, in his capacity as Ruler of Dubai:

- The Regulatory Law Amendment Law, DIFC Law 1 of 2011, which made amendments to define a financial promotion, added a prohibition against the making of financial promotions within DIFC (subject to exceptions in rules), and also added a provision to make any agreement made in breach of the above mentioned prohibition unenforceable which came into force on 28 April 2011; and

- The Regulatory Law Amendment Law, DIFC Law 2 of 2011, which made amendments in relation to expanding the regulatory regime to include further powers and functions in respect of AML and to make a number of miscellaneous enhancements to the law. This Law came into force on 27 December 2011.

DFSA Rules

The following amendments were issued by the DFSA, with respect to its Rulebook and related instruments:

- Enhancements to the Financial Services definitions to ensure the DFSA is able to regulate in an effective and efficient manner, and to reflect the DFSA's risk-based approach to regulation (rule-making instruments No 73, 75, 76 and 77);

- Introduction of Rules in relation to the DFSA Financial Promotions Prohibition created under the Regulatory Law Amendment Law, DIFC Law 1 of 2011 (rule-making instrument No 73);

- Structural changes to the Rulebook involving the repeal of two models of Rules and the relocation of these Rules into the General module of Rules (rule-making instruments No 73, 75, 76 and 77) and the creation of a Sourcebook containing all regulatory policies, processes and procedures;

- Miscellaneous and consequential enhancements to the Glossary of the Rulebook (rule-making instruments No 74 and 78);

- Introduction of AML Rules relating to DNFBPs following a transfer of jurisdiction (rule-making instrument No 79); and

- Introduction of interim listing Rules following the DFSA becoming the Listing Authority (rule-making instrument No 80).

APPENDIX 8

MEMORANDA OF UNDERSTANDING SIGNED IN 2011

MULTI-LATERAL MoUs

None

BI-LATERAL MoUs

Cayman Islands	Cayman Islands Monetary Authority
Cyprus	The Central Bank of Cyprus
India	The Reserve Bank of India
Switzerland	The Swiss Financial Market Supervisory Authority
UAE	UAE Insurance Authority

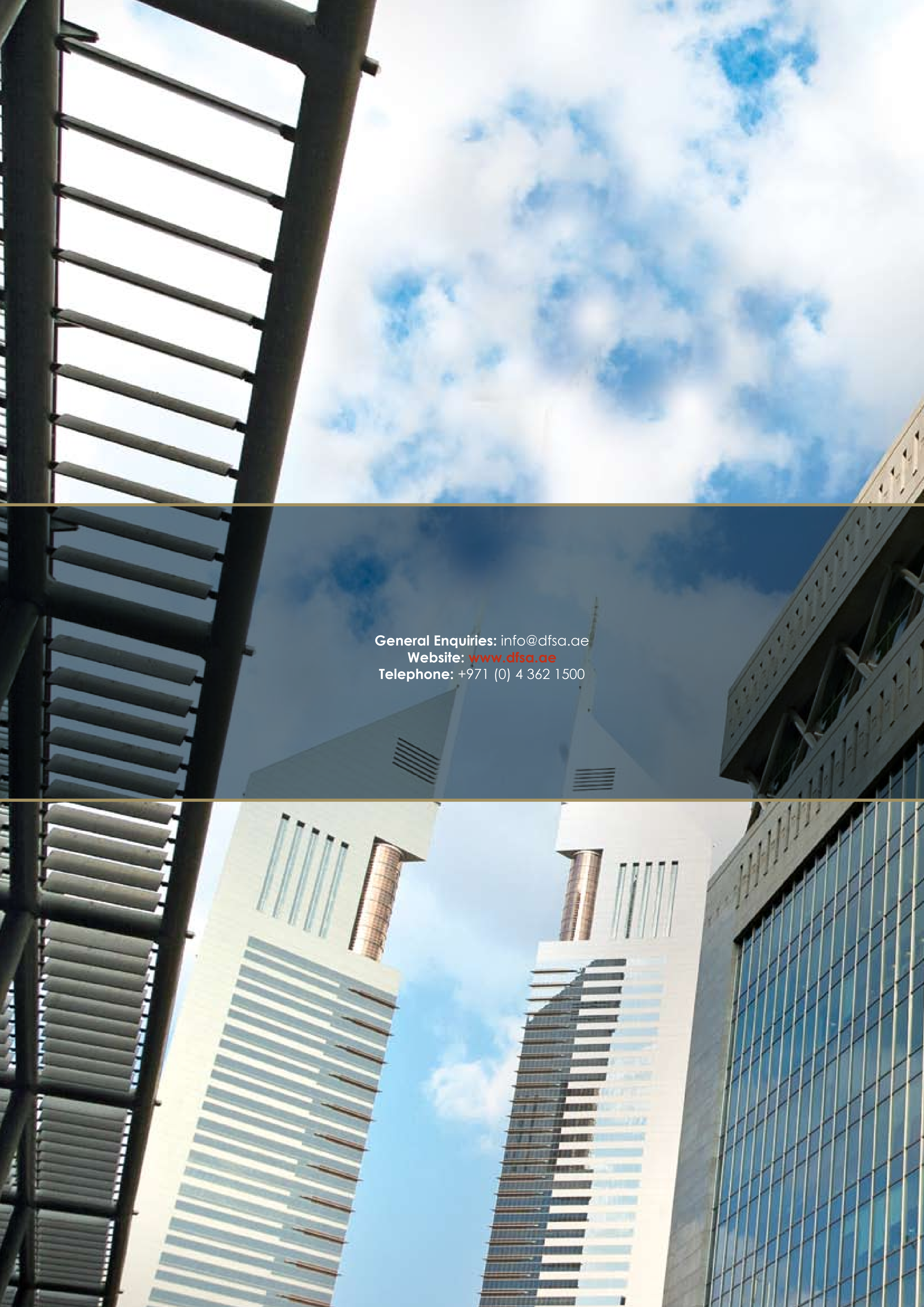
Refer to the DFSA website for a full list of all MoUs signed by the DFSA.

APPENDIX 9

GLOSSARY

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
AFs	Authorised Firms
AFM	Autoriteit Financiële Markten
AMERC	Africa and Middle East Regional Committee
AMI	Authorised Market Institution
AML	Anti-Money Laundering
AMLSCU	Anti-Money Laundering Suspicious Cases Unit
AOSSG	Asian-Oceanian Standard-Setters Group
ASIC	Australian Securities and Investments Commission
ASPs	Ancillary Service Providers
BCBS	Basel Committee for Banking Supervision
BIS	Bank for International Settlements
CBUAE	The Central Bank of the United Arab Emirates
CFT	Combating the Financing of Terrorism
ComFrame	Common Framework
DCR	Displaced Commercial Risk
DFSA	Dubai Financial Services Authority
DIFC	Dubai International Financial Centre
DIFCA	Dubai International Financial Centre Authority
DME	Dubai Mercantile Exchange
DNFBPs	Designated Non-Financial Businesses and Professions
DUTCO	Dubai Transport Company LLC
EBI	Emirates Bank International
EU	European Union
FATF	Financial Action Task Force
FSA	UK Financial Services Authority
FDIC	Federal Deposit Insurance Corporation
FMT	Financial Markets Tribunal
FSAP	Financial Sector Assessment Programme
FSB	Financial Stability Board
FSVC	Financial Services Volunteer Corps
GCC	Gulf Co-operation Council
HR	Human Resources
IAASB	International Auditing and Assurance Standards Board
IAIG	Internationally Active Insurance Groups
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICPs	Insurance Core Principles
ICSID	International Centre for Settlement Investment Disputes
IESBA	International Ethics Standards Board for Accountants
IFIAR	International Forum of Independent Audit Regulators

IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IOD	Institute of Directors
IOSCO	International Organisation of Securities Commissions
IT	Information Technology
KYC	Know Your Customer
LegCo	Legislative Committee
MMoU	Multi-lateral Memoranda of Understanding
MoU	Memoranda of Understanding
NBD	National Bank of Dubai
OCC	US Comptroller of the Currency
OECD	Organisation for Economic Co-operation and Development
OTC	Over-The-Counter
PEPs	Politically Exposed Persons
PSIA	Profit Sharing Investment Account
PwC	PricewaterhouseCoopers
RAs	Registered Auditors
RAC	Regulatory Appeals Committee
RBI	Reserve Bank of India
RemCo	Remuneration Committee
RPP	Regulatory Policy and Process
SCA	Emirates Securities and Commodities Authority
SFC	Securities and Futures Commission
SPV	Special Purpose Vehicle
SSB	Shari'a Supervisory Board
STR	Suspicious Transaction Reporting
TRL	Tomorrow's Regulatory Leaders
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNITRAL	UN Commission on International Trade Law
US	United States



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