



## Annual Report 2008

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 fifth annual report. It relates to the financial year ended 31 December 2008.

Log onto [www.dfsa.ae](http://www.dfsa.ae) for more information about the DFSA.



The Dubai Financial Services Authority DFSA is the independent regulator of financial and ancillary services conducted through the Dubai International Financial Centre DIFC, a purpose-built financial free-zone in Dubai.

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.

# THE DUBAI FINANCIAL SERVICES AUTHORITY

## VISION

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

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## MISSION

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

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## REGULATORY APPROACH

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

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## 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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## 2008 KEY MILESTONES

### POLICY AND LEGISLATION

- The DFSA concluded a Key Policy Review resulting in a streamlined funds regime and new Rules to give DIFC Firms the option to deal with retail clients as long as Firms adopt certain investor safeguards.
- The DFSA issued Rules to facilitate the development of the DIFC as a leading centre for Single Family Offices.

### MARKET GROWTH AND SUPERVISION

- The DFSA licensed its 300<sup>th</sup> regulated firm by 16 November 2008 and its 312<sup>th</sup> regulated firm by year end.
- The DFSA granted an amended licence to NASDAQ Dubai (formerly known as DIFX) to operate a Derivatives Exchange.
- The DFSA granted Recognised Body status to the Chicago Board of Trade enabling it to provide direct access to its US commodities futures markets by authorised customers operating in the DIFC.
- The DFSA conducted a thematic review of the capital adequacy planning and monitoring processes of Authorised Firms.
- The DFSA conducted a thematic review of training and competence within Authorised Firms.

### INTERNATIONAL RELATIONS

- The DFSA announced a joint regulatory initiative with the Securities and Futures Commission (SFC) of Hong Kong to facilitate reciprocal access to Islamic financial products in Hong Kong and the DIFC. A contemporaneous Memorandum of Understanding (MoU) between the SFC and DFSA signaled the regulators' commitment to enhance mutual co-operation between the two Islamic capital market segments. The joint commitment extended to the SFC's agreement to offer short term placements to graduates of the DFSA's Tomorrow's Regulatory Leaders (TRL) programme for UAE nationals.
- The DFSA signed MoUs with two of Asia's other leading regulators – the China Securities Regulatory Commission and the Monetary Authority of Singapore.
- The DFSA expanded its international network of regulatory cooperation by signing MoUs with regulatory counterparts from Oman, France, Ireland, South Africa, Malta, Cyprus, Belgium and Chinese Taipei.
- The DFSA became a signatory to the Boca Declaration, the Multinational Memorandum of Understanding on Co-operation and Supervision of International Futures Markets and Clearing Organisations, upon the consent of each of the 28 signatories.

## **ENFORCEMENT**

- The DFSA imposed a range of enforcement sanctions, including full compensation for investor losses, against an Authorised Firm, its Authorised Individuals and several employees for their role in unlawful and unsuitable agency trading for investors in online currency futures contracts. The Firm's operations were suspended until proper systems and qualified staff were in place.
- The DFSA levied a financial penalty of US\$850,000 against an Authorised Firm for market manipulation and US\$100,000 for obstructing the DFSA during the course of its investigation.

## **RECOGNITION**

- The International Monetary Fund (IMF), in its UAE country Financial Stability Assessment Programme (FSAP) on Anti-Money Laundering and Combating the Financing of Terrorism, acknowledged that "The regime applied to financial institutions operating in the Dubai International Financial Centre tends overall to be relatively close to the FATF standards."
- An independent and anonymous stakeholder survey on the performance of the DFSA revealed high levels of stakeholder satisfaction.

## **EDUCATION AND COMMUNITY OUTREACH**

- The DFSA conducted its bi-annual Anti-Money Laundering / Counter Terrorist Financing Information Sessions for the Money Laundering Reporting Officers (MLROs) and Anti-Money Laundering Officers (AMLOs) of all DFSA regulated entities as part of its continuing Outreach Programme.
- The DFSA hosted an inaugural legal think tank, the first of its kind in the UAE, focusing on inter-jurisdictional issues of interest to users of the DIFC Courts and the Dubai Courts. Discussions led by regulators, leading legal practitioners and judges from both courts enhanced participants' understanding of the emerging issues and paved the way for greater cooperation between the courts.

## **GROWTH**

- The DFSA had 116 employees at year end.
- The DFSA's highly successful TRL Programme for UAE nationals grew to 11.

## STATEMENT BY THE CHAIRMAN

### ABDULLAH M SALEH



2008 has been another successful year for the DFSA and, on behalf of the entire Board, I wish to record our congratulations to the Executive and staff who have again demonstrated a high level of professionalism and leadership in carrying out their roles. In particular, I wish to acknowledge the contribution of our Chief Executive, David Knott, who has led the DFSA since June 2005 and who retired from full time employment in December 2008 after a distinguished career in Australia and Dubai. Under David's leadership the DFSA has firmly established its credentials as a first class regulator that is respected not just within the UAE and this region, but also internationally.

The current outlook for the global economy is less positive than in recent years and no doubt this will raise additional challenges and risks for the DFSA. Against that background, the Board is pleased to welcome as its new Chief Executive, Mr Paul Koster who has a wealth of leadership experience gained in both the private and public sectors, including seven years of service as member of the Executive Board of the Netherlands Financial Markets Regulator (AFM). Paul's qualifications in economics and accounting, coupled with his private sector work in finance and compliance, including a term with the Amsterdam Stock Exchange, equip him well to take on the new leadership challenges that a global economic downturn may present.

Notwithstanding the financial crisis, the DIFC continued to flourish throughout 2008 and to further establish itself as the leading international financial centre in the region. The DFSA made a substantial contribution to that growth, as detailed in the Chief Executive's report. The Board has actively participated in all major new policy and strategic decisions adopted during 2008 and, through its various committees, has monitored progress of implementation. We are fortunate to have a wide range of relevant skills and experience at Board level and I am pleased to note that all members have accepted extensions of appointment from 1 January 2009.

Like all organisations, the DFSA needs to have a realistic understanding of how it is perceived by clients and other key stakeholders. For that reason the Board was supportive of the Executive's decision in January 2008 to commission an independent review of stakeholders' perceptions of the DFSA as a regulator. The results of that review were highly positive and reinforced our confidence in the quality of work being delivered by the DFSA. The Board will, from time-to-time, commission similar projects to ensure that we are keeping abreast of stakeholder sentiment and taking account of any opportunities for improvement.

As Chairman I have been particularly keen to support the DFSA's programme to provide training and employment opportunities to Emiratis. Our Tomorrow's Regulatory Leaders programme, which commenced in 2006, is one of the DFSA's great successes and is grooming young people for future leadership roles in financial services regulation. It was a real pleasure this year to see members of the original intake graduate from their two year training and take up regulatory positions alongside their expatriate colleagues. Our aim is that TRL participants will constitute 25% of our regulatory staff by the end of 2009 and we will continue to grow our numbers into the future. This is a quality program involving quality people, and a wonderful partnership between local and expatriate colleagues.



Finally, I would like to emphasise the importance for Dubai of the continued high reputation of the DFSA and the recognition of our work throughout the international regulatory community. A great deal of effort has been made in recent years to establish a close working relationship with other regulators and to educate them about the DIFC. The Board contributes to that goal both individually and collectively including, for example, by hosting meetings and functions and by attending relevant international events. In March 2008 we held our Board and Committee meetings in Beijing and Hong Kong where we met with senior government and industry representatives. In October, some of us joined the Chief Executive in Washington at the time of the IMF annual meeting and participated in the IIF and other conference activities. These are useful ways for the Board to supplement the role of the Executive in promoting the work of the DFSA and building a better international understanding of the operating environment within the DIFC.

**Abdullah M Saleh**  
**Chairman**

## STATEMENT BY CHIEF EXECUTIVE OFFICER DAVID KNOTT



At the time of writing this report the world's financial markets are in turmoil and many questions are being asked about apparent weaknesses in regulatory architecture and performance. Within the Dubai International Financial Centre the impact of these events has been subdued, but very few people any longer subscribe to the theory of economic decoupling and so we too are steeling ourselves for a much tougher environment in 2009. Supporting financial stability, investor confidence and investor protection are all key components of our statutory mandate and they have underpinned our strategic approach in developing the DFSA's business plan for the next two years.

In the meantime, the DFSA has continued throughout 2008 to consolidate a highly credible regulatory regime within the DIFC. During 2008 we have had further opportunities to benchmark our progress with external stakeholders. Two particular instances stand out. The first was an independent survey of regulated firms conducted early this year by international consultants, Chant Link. The survey was designed to gauge industry's perception of our regulatory performance and effectiveness across a broad range of issues. In order to guarantee the integrity of the process and to encourage frank feedback, the identity of respondents was not disclosed to the DFSA. The process included extensive interviews of chief executives and compliance officers by our consultants who applied both qualitative and quantitative performance measurements in their methodology. The survey results provided a positive endorsement of the progress made by the DFSA over recent years and helped to validate the relevance of our key regulatory strategies. A second important external performance benchmark was provided by the IMF's Financial System Stability Assessment Programme report on the UAE which was published during the year. That report commented positively on the DFSA and specifically noted the caliber of our staff; our commitment to international best practice standards; our extensive collaboration with other regulators on information sharing and co-operation; and our commitment to enforcement of laws and rules. The IMF report concluded that the DIFC has well defined and established regulatory and supervisory systems that are on par with other major regional financial centres such as Singapore and Hong Kong. Further information on both the Chant Link and IMF reports is available on the DFSA website.

The reference in the IMF report to international co-operation carries even greater significance in the face of new challenges arising from the 2008 global financial crisis. The capacity of regulators to better coordinate their work across all sectors of the financial markets has become an urgent policy priority for most Governments. DFSA's active program of engagement with international and regional regulators has continued throughout 2008, resulting in the signing of a further 11 bilateral MoUs. These included an MoU with the Hong Kong SFC which coincided with strategic Board meetings in Beijing and Hong Kong in March. Other important jurisdictions included the CSRC of China, and regulators in Ireland, Brussels, France, Korea, South Africa, Oman, Singapore, Malta, Cyprus and Taiwan. Since 2005, the DFSA has concluded bilateral and multilateral MoU arrangements with 79 jurisdictions and has actively engaged with international standard setters (through membership of IOSCO, the Joint Forum, the Technical Committee of IAIS, AAOIFI and the IFSB). International bodies of this type will be called upon to play a vital part in designing and implementing measures

to address regulatory weaknesses exposed by the financial crisis. The DFSA will do all we can to assist with that work and to bring to those discussions the considerable international experience and expertise of our regulatory staff.

As policy makers pursue their post mortem of the financial crisis, one recurring theme will be risk identification and remediation. For regulators there will be less emphasis on the relative merits of rules versus principles based regulation and greater emphasis on risk-based regulation. This change of emphasis will be welcomed by the DFSA and is precisely aligned with the approach that we have been pursuing in recent years. I have previously reported on specific initiatives undertaken by the DFSA in pursuance of its risk-based approach, including our policy leadership in relation to hedge funds last year. In 2008 a number of additional policy programmes were implemented, including new rules to open the DIFC to retail clients; overhauling our funds management rules; introducing new prudential requirements for Islamic Finance products; and further strengthening our Anti-Money Laundering regime. Some of these initiatives were deregulatory in nature while others imposed additional compliance requirements. But they all reflect our policy commitment to the careful assessment of risk and the implementation of effective and proportionate regulatory responses. In order to take this approach to a new level, we have embarked upon a major project that will review all aspects of risk-based regulation in a degree of detail that we believe exceeds anything previously attempted. We commenced this work in mid-2008 and expect the project to consume substantial resources throughout the next two years. The global financial crisis has added both urgency and relevance to the project and we look forward to sharing our findings with other regulators in coming months.

Another likely outcome of the financial crisis will be the commencement of enforcement proceedings against entities and individuals who have breached the law. Enforcement is a controversial subject and there are wide variations of practice between regulators across the globe. However, experience tells us that if regulators fail to intervene in the early stages of market excess and misconduct, the probability increases that such behaviour will become more widespread and pose greater systemic risk to markets. In general, the emerging markets have a less developed culture of enforcement than the developed markets. In order for them to fully exploit the advantages of their newfound economic power, the emerging markets need to place a high priority on increasing their enforcement capabilities so that counterparties can be confident that rules will be enforced without fear or favour and with transparency and fairness. Consistent with that approach, the DFSA has established an effective enforcement capability within the DIFC and has moved promptly to impose sanctions where appropriate. The outcomes of all such actions taken by the DFSA are made public and may be referenced by visiting our website.

Despite the obvious challenges that the global financial crisis will create for us all during 2009, there is good reason to remain confident that the DIFC will further grow its leadership position as the pre-eminent international financial centre in the Middle East. During 2008 the DFSA licensed its 300th regulated entity, doubling the number of financial firms that



were operating within the DIFC 18 months ago. As economic conditions tighten, the role of the DFSA in maintaining high regulatory standards within the Centre will become even more important, but the work we have undertaken in recent years has prepared us well for this new environment. We have high quality staff across all of our divisions, including a talented and enthusiastic group of young Emiratis who have entered the DFSA through our TRL programme.

As this is my final report before retiring as Chief Executive of the DFSA, I record my sincere appreciation to the Board and staff, who have been consistently supportive during my term of office. I am very proud of what has been achieved by this team effort and I particularly salute the staff who have worked tirelessly to ensure the success of the DFSA and to secure a genuine transfer of skills and knowledge to our Emirati colleagues. I am sure that my successor, Mr Paul Koster, will receive similar support and I wish him every success in leading the DFSA over the coming years.

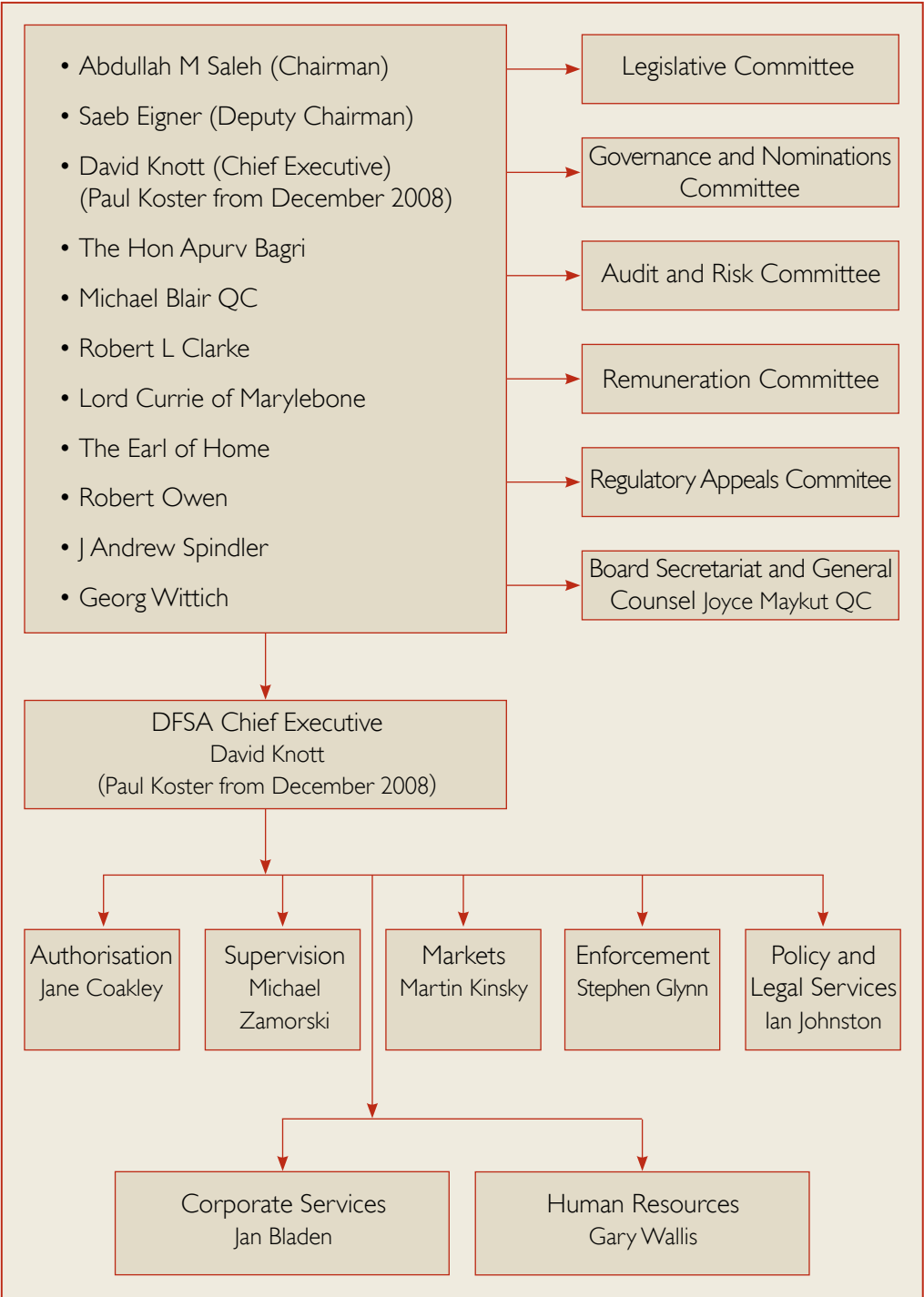
It has also been my pleasure to become acquainted with officers and staff of the DIFC Authority and the DIFC Courts who, since my arrival in Dubai in 2005, have always been constructive and positive in their dealings with me. Finally, to the Governor of the DIFC, His Excellency Dr Omar Bin Sulaiman, I record my thanks for his unwavering commitment to the DFSA and his many acts of friendship.

**David W Knott**  
**Chief Executive Officer**

**WHO WE ARE**



# THE DFSA GOVERNANCE MODEL



## 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, and monetary penalties;
- To protect direct and indirect users and prospective users of the financial services industry in the DIFC;
- To promote public understanding of the regulation of the financial services industry in the DIFC; and
- To pursue any other objectives as the Ruler may, from time-to-time, set under DIFC Law.

In aiming to establish and maintain an environment that fosters the DIFC 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:

- IOSCO International Organisation of Securities Commissions
- IASB International Accounting Standards Board
- FATF Financial Action Task Force
- OECD Organisation for Economic Co-operation and Development
- BIS Bank for International Settlements & Basel Committee for Banking Supervision
- IAIS International Association of Insurance Supervisors
- AAOIFI Accounting and Auditing Organisation for Islamic Financial Institutions
- IFSB Islamic Financial Services Board



## **VALUES AND ETHICS**

The DFSA Values reflecting the core DIFC operating principles of Integrity, Transparency and Efficiency 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 confidential regulatory and personal information, the disclosure and management of potential and real 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 DFSA Board of Directors has adopted a similar Code of Values and Ethics appropriate for Members of the Board, Committees and Tribunals.

## THE 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;
- 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 on 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 control; and
- providing an accountability mechanism for decisions of Committees of the Board through periodic reporting.

The 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 His Highness Sheikh Mohammed bin Rashid Al Maktoum, President of the DIFC, for fixed terms. In addition, all Directors have entered into a service agreement with the DFSA which details terms of appointment, duties, remuneration and expenses, confidentiality, conflicts of interest, term and termination, and indemnities.

The Board currently consists of 11 Directors and all but the Chief Executive are independent Non-Executive Directors. The Board is supported by Joyce Maykut QC, acting as Secretary to the Board of Directors and General Counsel. The Board Secretariat manages and coordinates all corporate secretary functions for the Board and each of its Committees.

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 Regulatory Appeals Committee and a Financial Markets Tribunal. In addition to the Committees required by statute, the Board has established four Committees to assist it in discharging its functions. These are the Legislative Committee, Governance and Nominations Committee, Audit and Risk Committee and the Remuneration Committee. These Committees form a solid platform for good governance, efficiency and redress.

Some Committees include Members who are not Members of the Board, while the Chairman of the DFSA Board is an ex-officio Member of all Board Committees, except the Audit and Risk Committee and the Regulatory Appeals Committee.

The 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 numbers of meetings individual Board Members were eligible to attend.

	Board	Audit and Risk Committee	Governance Nominations Committee	Legislative Committee	Remuneration Committee
Abdullah M Saleh	7/9	–	–	–	–
Saeb Eigner	9/9	6/6	12/12	–	7/7
David Knott	6/6	6/6	6/6	6/6	6/6
The Hon Apurv Bagri	9/9	6/6	12/12	–	7/7
Michael Blair QC	9/9	–	–	6/6	–
Robert L Clarke	7/9	–	–	6/6	–
Lord Currie of Marylebone	8/9	–	11/12	–	6/7
The Earl of Home	8/9	6/6	12/12	–	1/1
Robert Owen	9/9	–	6/6	6/6	7/7
J Andrew Spindler	8/9	6/6	12/12	–	7/7
Georg Wittich	9/9	6/6	–	6/6	–

## BOARD MEMBERS



**Abdullah M Saleh** was appointed as Chairman of the DFSA and its Board of Directors on 17 June 2007, having served as a director of the DFSA since 2004. Mr Saleh is the Vice Chairman of Emirates NBD PJSC, the largest banking entity in the Middle East. Emirates NBD 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, and then the Managing Director from 1982 until January 2004 and thereafter Chairman from 2005 till the merger with EBI.

Mr Saleh is a former adviser on financial matters to the Late Ruler of Dubai, HH Sheikh Rashid Bin Saeed Al Maktoum. Mr Saleh served as an Arbitrator on the Paris-based High Board of the Euro-Arab Arbitration Centre, from 1988 to 2000. He is a Board Member of the Dubai Chamber of Commerce and Industry. 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 a Director and major shareholder of Dubai Transport Company LLC (DUTCO), the holding company of the DUTCO Group of Companies. He has been Chairman of MARSH INSCO (insurance brokers) since 1976.

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



**Saeb Eigner** was appointed deputy chairman of the DFSA Board following the appointment of Mr Saleh as Chairman. Mr Eigner is the Founder and President of Lonworld, a private finance, property and investment group. He is a Governor of London Business School, Founding and Serving Chairman of its Middle East Regional Advisory Board. Formerly a Senior Manager at ANZ Grindlays Bank PLC, in London, Mr Eigner headed the Middle East and Indian Sub-Continent division of the Private Bank, which he left to found Lonworld in 1992.

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



**David Knott** was appointed Chief Executive of the DFSA on 1 June, 2005 and retired as Chief Executive in December of 2008.

He is a former Chairman of the Australian Securities and Investments Commission and was Chairman of the Technical Committee of the International Organisation of Securities Commissions. Other positions previously held by him include COO of the Australian Prudential Regulation Authority; CEO of Commonwealth Funds Management; CEO of the Australian Financial Institutions Commission and Director of the Australian Crime Commission.



**Paul Koster - Chief Executive** (*Effective December 2008*)

Paul Koster was appointed by the Board as the Chief Executive of the DFSA, succeeding David Knott.

Paul Koster joined the Autoriteit Financiële Markten, the Netherlands Authority for the Financial Markets, in 2001 as Commissioner and Member of the Executive Board, and served until this year (2008). He was formerly Executive Vice President (World Wide Auditing) at Royal Phillips Electronics 1998-2001, he was the Managing Partner Corporate Finance, Coopers & Lybrand 1988-1998, Chief Compliance Officer and acting Commissioner of Quotations, Amsterdam Stock Exchange 1986-1988 and carried out a number of senior finance functions in his earlier career, having trained as an accountant with Arthur Andersen. He was previously Chair, SISE (Sub-committee on International Standards Endorsement) within the Committee of European Securities Regulators (CESR) until May 2006 and then Chair CESR-FIN. He was also a member of the IOSCO chairs committee.

He is a Dutch national, married with two grown children.



**The Hon Apurv Bagri** is the Managing Director of the Metdist Group of companies. 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 Board of the UK-India Business Council. He is also Deputy Chairman of the Governing Body of London Business School as well as Chairman of the School's Asia Board, a Member of the Governing Council and Chair of the Audit and Risk Committee of the City University, London and a visiting Professor at Cass Business School. He is Chairman of The Royal Parks Board and a Trustee of The Royal Parks Foundation; a Commissioner of the Crown Estate Paving Commission and a Trustee of Asia House. He is the Chairman of TiE Inc, a global non-profit organisation that promotes entrepreneurship and wealth creation.

Mr Bagri is an honours graduate in Business Administration from the Cass Business School in London and has an Honorary Degree of Doctor of Science from City University.



**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 Financial Services Authority. He is a Member of the Competition Appeal Tribunal, 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 quartercentenary year 2008.

From 2000 to 2002, Mr Blair QC 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 United States and internationally. Mr Clarke founded the Financial Services Section at Bracewell & Giuliani, LLP in 1973. He was appointed by President Ronald Reagan as US Comptroller of the Currency and at the end of his first term was re-appointed by President George HW 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. 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 to the World Bank and as Senior Advisor to the President of the National Bank of Poland, as well as advisor to a number of other countries on their bank supervisory operations.

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



**Lord Currie of Marylebone** has wide ranging experience in financial services, public administration and the education sector. In addition to serving on the Board of the DFSA, he is Chairman of the Office of Communication, the new converged UK regulator for electronic communications. He is also Chairman of Trillium Investment Partners and a board member of the Royal Mail and BDO Stoy Hayward. He was Dean of City University's Cass Business School in the City of London from 2001 to 2007 and Deputy Dean at London Business School and a Non-Executive Director of the Abbey National, as well as serving on the Board of the Office of Gas and Electricity Markets, 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 and he has extensive consulting experience at Board level with major financial institutions.



**The Earl of Home** has been Chairman of Coutts & Co since 1 June 1999 and became Chairman of Coutts Bank (Switzerland) Ltd, on 8 March 2000. He was appointed Chairman of Grosvenor Group Limited on 1 May 2007. He has wide experience of the banking sector and, having joined Morgan Grenfell in 1966, was appointed Director of Morgan Grenfell & Co Ltd (now Deutsche Securities Ltd) in 1972. He assumed responsibility for the international division of the bank in 1983. He was then appointed to a number of other international positions at Morgan Grenfell, becoming a Director of Morgan Grenfell Group PLC in 1996 and Chairman of Deutsche Morgan Grenfell Group PLC in 1999.

Lord Home has held a number of non-executive and public positions including Director of the Agricultural Mortgage Corporation PLC, between 1980 and 1993, Chairman of Man Ltd, President of the British Malaysian Society (appointed in 2001) and Chairman of the Committee for Middle East Trade (retiring in 1992). He is an active Member of the House of Lords and was a front bench spokesman on Trade, Industry and Finance until 1998. Lord Home was educated at Oxford University.



**Robert Owen** has wide-ranging experience as both a regulator and a market practitioner, with particular exposure to the Asia Pacific region. He established the Securities & Futures Commission (SFC) in Hong Kong and was appointed its Executive Chairman in 1989. Prior to this Mr Owen was Director, Investment Banking, Lloyds Bank Group and Chairman and Chief Executive, Lloyds Merchant Bank. Earlier, he was a Director of Morgan Grenfell & Co, and served in the UK Treasury and Foreign Office. Since leaving the SFC, Mr Owen has been Deputy Chairman of Nomura Asia Holdings Ltd, and Senior Adviser to Nomura International (Hong Kong) Ltd, a Member of the Council and Regulatory Board of Lloyd's of London, Chairman of Techpacific Capital Ltd, Chairman of IB Daiwa Ltd, a Director of Sunday Communications Ltd, European Capital Co Ltd and various other companies and investment funds. He is currently a Director of Singapore Exchange Ltd and of Citibank (Hong Kong) Ltd, and of the International Securities Consultancy Ltd. 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, 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 during 1991-93. 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 during 1980-83.

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 College. He is a member of the Council on Foreign Relations and the Bretton Woods Committee.





**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 is a Member of the International Advisory Council of the China Securities Regulatory Commission. Mr Wittich graduated with law degrees from the University of Kiel and undertook additional studies at the Ecole Nationale d' Administration in Paris.

## BOARD COMMITTEES

### LEGISLATIVE COMMITTEE

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

- Michael Blair QC (Chairman)
- Ermanno Pascutto (External Committee Member)
- Robert L Clarke
- Ian Johnston
- David Knott
- Joyce Maykut QC
- Robert Owen
- 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 also senior advisor to the US law firm Troutman Sanders' Hong Kong Office. He is a former Founding Director and Vice Chairman of the Securities and Futures Commission, Hong Kong (1989 to 1994), COO of the Ontario Securities Commission (1984 to 1989) and Director of Market Policy of the Toronto Stock Exchange. Mr Pascutto has practiced 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 may attend by invitation. Audit and Risk Committee members are:

- The Earl of Home (Chairman)
- R Douglas Dowie (External Committee Member)
- The Hon Apurv Bagri
- Saeb Eigner
- J Andrew Spindler
- Georg Wittich

**R Douglas Dowie** is a Board Member and Advisor to the Board of Emirates NBD PJSC. He is Chairman of NBD Investment Bank. He is also a director of National Bank of Dubai Trust Company (Jersey) Limited, Marsh Insco and insurance broker incorporated in the UAE, Al Khaliji Commercial Bank (Qatar) and a member of the University Council of the British University in Dubai.

A career international banker with Standard Chartered Bank, Mr Dowie's first assignment overseas took him to Aden in 1963, followed by assignments in the Middle East including Lebanon, where he graduated from the Middle East Centre for Arabic Studies. He subsequently served in Libya, Iran and several of the GCC states. Mr Dowie also served in the Far East with assignments in Hong Kong and Indonesia. He is a Fellow of the Chartered Institute of Bankers in Scotland, a member of the Chartered Institute of Management and 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 program and to develop and recommend to the Board a set of corporate governance principles. Governance and Nominations Committee members are:

- Saeb Eigner (Chairman)
- The Hon Apurv Bagri
- Lord Currie of Marylebone
- The Earl of Home
- David Knott
- J Andrew Spindler

#### **REMUNERATION COMMITTEE**

The primary function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities relating to all aspects of Human Resources at the DFSA, including performance and compensation. Remuneration Committee members are:

- J Andrew Spindler (Chairman)
- The Hon Apurv Bagri
- Lord Currie of Marylebone
- Saeb Eigner
- David Knott
- Robert Owen

## REGULATORY APPEALS COMMITTEE

The Regulatory Appeals Committee (RAC) functions as an internal appeal mechanism for 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 Court by way of judicial review on a point of law. RAC Members are:

- Robert Owen (Chairman)
- Michael Blair QC
- Robert L Clarke
- Georg Wittich
- Douglas Dowie (External Committee Member)
- Jayshree Gupta (External Committee Member)
- Nada Khneisser Zarka (External Committee Member)
- William F Kroener, III (External Committee Member)
- Ermanno Pascutto (External Committee Member)

**Jayshree Gupta** is a dual-qualified solicitor (England and India) and has spent over 13 years practising in the UAE. Formerly the managing partner of the Dubai office of DLA Piper, she has a number of years of experience advising on corporate and commercial matters including mergers and acquisitions, joint ventures, franchising and distribution, and hotel contractual work. Ms Gupta has advised local, national and international organisations operating within and outside the Middle East. The sectors she has worked in include hotels and leisure, media, technology, telecommunications and a growing number of consumer goods and finance clients. She presently has a lead role in the firm's India strategy and is working at developing the Gulf-India stream of business, and co-ordinates India-related inbound and outbound work.

Prior to joining DLA Piper, Ms Gupta 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. 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 in the region. She is a recommended practitioner in the UAE by Practical Law Company in their 2003/04 edition of Global Counsel 3000 and in PLC's Which Lawyer Yearbook 2005.

Ms Gupta was appointed to the RAC effective 1 September 2008.

**Nada Khneisser Zarka** is a lawyer and current Head of Legal for the MENA region at GE money. She has 19 years of experience encompassing banking, civil and commercial laws in UAE, GCC countries and the Middle East. She started practicing law with

Kanaan & Co as a litigation and transaction lawyer serving a spectrum of local and international clients. Then she took the challenge and joined an international life insurance company as legal counsel advising on various life insurance products and structures. 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 1993 she joined a US-based international telecom company as legal counsel gaining substantial expertise in telecommunication regulation.

In 2000 Ms 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 and ABN Amro bank, managing all legal matters ranging from both the legal and regulatory perspective. Ms Zarka is an active member of the Emirates Banking Association providing legal advice in connection with proposed amendments to UAE laws and regulations.

**William F Kroener III** is counsel at Sullivan & Cromwell LLP, and practices from the firm's 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 Federal Deposit Insurance Corporation (FDIC) from 1995 until 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 practiced 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.

## THE FINANCIAL MARKETS TRIBUNAL

The Financial Markets Tribunal (FMT) serves as an independent financial services disciplinary tribunal to determine breaches of DFSA administered legislation and 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 Court. Decisions of the FMT on appeals of Exchange decisions may be appealed to the DIFC Court on a point of law.

### FMT members are:

- Stewart Boyd CBE QC (President)
- 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 Financial Services Authority, UK. 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 Paul, Hastings, Janofsky & Walker LLP, and practices from the firm's Washington DC and Atlanta offices. He served as General Counsel of the Federal Deposit Insurance Corporation from 1987 until 1989 and is a member of the Board of Directors of the FSVC, which is a non-profit organisation formed to assist former state-controlled economies develop their banking and capital markets systems. 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** practices 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 UNICITRAL 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 INTELSTAT 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.

He holds a DPhil from Oxford University and has been a sometime fellow at Magdalen College, Oxford. He now practices 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 appears as counsel in cases in the UK Commercial Court, Court of Appeal, Privy Council and the House of Lords as well as in a number of substantial international arbitrations. He is a Bencher of the Honourable Society of Gray's Inn and a Recorder of the Crown Court. He is Chairman of the Commercial Bar Association and a Member of the General Council of the Bar. He is also a co-author of Jack, Malek and Quest: Documentary Credits (3rd Edition). He 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 & Giulinai LLP, an international law firm concentrating on finance, corporate structuring, financial regulation, and alternative dispute resolution for multinational and Middle Eastern clients. A former US Diplomat, he previously served as US Consul General in Dubai. Born in Saudi Arabia, he has lived in the Middle East for more than 46 years.



Admitted to the Bar in Texas in 1976 and licensed in Dubai in 1989, he is a member of the Houston and International Bar Associations. 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 serves as Chairman of the Board of Trustees of the American School of Dubai, a not for profit, private educational institution.

**Hesham Al Qassim** *(Ceased to be a Member of the FMT effective 2 February 2008 )*

Hesham Al Qassim has been the Chief Executive Officer and Director of the board of Dubai Real Estate Corporation since its establishment in 2007. His business acumen and strategic initiatives made him a Director on the Board of several prestigious organisations such as Amlak and a member of the Financial Markets Tribunal. He holds a Masters Degree in International Business and was selected for the Mohammad Bin Rashid Programme for Leadership Development and he is a member of the “Young Arab Leaders”.

Prior to taking charge at Dubai Real Estate Corporate, Al Qassim was the GM, Commercial Banking at National Bank of Dubai (NBD). His position at NBD reflects his broad-based experience in all aspects of the financial services business and his significant contributions to the growth of NBD's Commercial Banking franchises.



## THE DFSA EXECUTIVE

### **David Knott - Chief Executive**

*Refer to section on Board of Directors*

David Knott retired as Chief Executive effective December 2008.

### **Paul Koster - Chief Executive (Effective December 2008)**

*Refer to section on Board of Directors*

Paul Koster was appointed by the Board as the Chief Executive, succeeding David Knott.



**Joyce Maykut QC - General Counsel and Secretary to the Board**, joined the DFSA in January 2004 as General Counsel after a 30 year legal career in the public and private sector in Canada. As General Counsel, Joyce is the DFSA's senior legal adviser heading up international relations and the Board Secretariat.

She holds a Law Degree from the University of Alberta and was appointed Queen's Counsel in 1988. Joyce was Vice Chair of the British Columbia Securities Commission for 14 years prior to joining the DFSA and was active in the Canadian Securities Administrators, Council of Securities Regulators of the Americas, North American Securities Administrators Association and IOSCO.



**Ian Johnston - Managing Director, Policy and Legal Services**, is a well known and experienced international regulator who joined the DFSA in November 2006. Ian was admitted to practice Law in Australia in the early 1980s and has spent most of his career in the private sector. He held a number of senior positions within the AXA Group and was CEO of one of Australia's major Trustee Companies. During this time, Ian played a leading role in the Trustee industry and served on the National Council of the Trustee Corporations Association.

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



**Jane Coakley - Managing Director, Authorisation**, joined the DFSA in February 2005 to oversee the team responsible for Authorisation to carry on regulated activities within the DIFC. Jane's regulatory and industry experience includes senior positions at the Securities and Investments Board, London (both Policy and Supervision roles), Morgan Stanley (Executive Director) and most recently before joining the DFSA, a non-executive role at the Financial Services Authority (UK).

Jane's education and qualifications include a BA degree in History (Trinity College, Washington DC including one year at St Anne's College, Oxford), an MSc in Finance and Accounting (London School of Economics and Political Science), an MBA (INSEAD, France) and the Certificate in Securities and Financial Derivatives from the Securities Institute in London.



**Michael Zamorski - Managing Director, Supervision**, joined the DFSA in April 2006 after a 29 year career with the US Federal Deposit Insurance Corporation (FDIC) to oversee Supervision of Authorised Firms within the DIFC. As FDIC's Director of the Division of Supervision and Consumer Protection, he was responsible for overseeing the FDIC's bank supervisory activities for safety and soundness, as well as compliance and consumer protection for the 5,200 institutions under its jurisdiction.

Michael was a Member of the Basel Committee on Banking Supervision, the prudential standard-setter for large, internationally-active banks, from 2000 to 2006. He is a 2004 recipient of the American University School of Public Policy's Roger W Jones Award for outstanding executive leadership in the US government.

Michael holds a BS degree in Economics, conferred cum laude, from Villanova University, Pennsylvania and is a graduate of the American Bankers' Association's Stonier Graduate School of Banking.



**Martin Kinsky - Managing Director, Markets**, joined the DFSA in 2006 and has overall responsibility for the DFSA's regulation of NASDAQ Dubai, the Dubai Mercantile Exchange (DME) and other future exchanges that may receive authorisation to operate within the DIFC. Martin was previously a Senior Executive at the Australian Stock Exchange (ASX).

Over a career at the ASX spanning some 30 years, Martin has gained wide ranging experience of the operations of the Exchange. He has held various positions at the ASX including Company Secretary and General Counsel as well as managing the Membership / Intermediaries and Enforcement functions. Martin holds a Bachelor of Law degree from Sydney University, is a solicitor and has had a long involvement with industry associations aimed at fostering and developing Commercial and Corporate Law communities in Australia.



**Stephen Glynn - Director, Head of Enforcement**, has extensive experience in the regulation of financial and capital markets, financial services and products and listed and unlisted corporate entities.

Stephen's portfolio of responsibilities include enforcing obligations that apply to regulated entities in the DIFC, members of NASDAQ Dubai and DME and Reporting Entities that list their products and make offers of securities in the DIFC.

Stephen was formerly employed in various senior positions with ASIC, having responsibility for various divisions including Markets and Investments, Managed Investments, Financial Services Regulation, Corporate Investigations and Financial Analysis.



**Jan Bladen - Chief Operating Officer**, having joined the DFSA in February 2005. Prior to that Jan spent 7 years with PricewaterhouseCoopers in both Geneva and Dubai as a member of the Global Risk Management Practice. His professional experience with PwC focused on strategic business consulting, operational risk management/EWRM, Basel II, new methodology development, and has included international mandates spanning over 37 countries.

Jan is fluent in English, French and Spanish and obtained an MBA (Summa cum laude) from Lausanne in 1993.



**Gary Wallis - Head of Human Resources**, joined the DFSA in 2006. Gary has more than 25 years experience in Human Resources, including eight years in the United Arab Emirates. Gary has previously worked for nine 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.

Gary has a BSc in Political Science and is a Fellow of the Chartered Institute of Personnel Development.



**WHAT WE DO**



## THE DFSA REGULATORY STRUCTURE

In fulfilling its regulatory 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 legal advice and support to operating divisions of the DFSA and managing the business of the Policy and Rules and Waivers Committees. It is also responsible for developing and maintaining the laws and the DFSA rules, for which the DFSA is responsible, and for consulting with DIFCA on other DIFC legislation. It oversees and is responsible for Communications and Strategic Planning.

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

**The Supervision Division** is responsible for the risk-based supervision of firms conducting financial and ancillary services in and from the DIFC. It takes a proactive approach to matters that may impact on the risks to the DIFC and its objectives and uses a wide range of supervisory tools that are available to it. These tools include both desk-based monitoring and physical visits to Authorised Firms and Ancillary Service Providers which include theme-based reviews. The Division influences policy developments in the areas for which it is responsible and assists other DFSA divisions where appropriate. The Division is active in educating those it regulates via its Outreach Programme which uses the theme of Learning from Experience. Close relationships are maintained with international supervisors to ensure effective oversight of firms operating in more than one jurisdiction.

**The Markets Division** is responsible for the licensing and supervision of exchanges and clearing houses as well as recognising entities seeking Recognition status in the DIFC. It also regulates the offers of securities in or from the DIFC and supervises the conduct of Reporting Entities. It is a contributor to the development of policy and changes to rules that relate to its supervisory portfolio.

**The Enforcement Division** is responsible for enforcing the rules and laws of the DIFC administered by DFSA, in circumstances where acts of misconduct may cause damage to the financial services industry and reputation of the DIFC. In order to fulfill its mandate, the division uses a range of regulatory tools such as administrative censures, enforceable undertakings, and injunctive and final relief before the DIFC Court or Financial Markets Tribunal. The division plays a proactive role in preventing misconduct through education and outreach programmes and provides assistance to international regulatory and enforcement agencies.

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



and each of its Committees. The Office of General Counsel is also responsible for leading and coordinating the DFSA's role in all international matters and co-operative efforts with regional and international enforcement agencies and regulatory counterparts.

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

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



## THE DFSA IN ACTION

The DFSA's stated approach is: "To be a risk-based regulator and to avoid unnecessary regulatory burden". We believe regulation should be directed to the mitigation of risks that would otherwise be unacceptable. We also believe that compliance obligations should be proportionate to the mitigation of those risks within a framework that enables regulated entities to effectively and efficiently meet their compliance obligations.

Under this model, we set priorities for the use of our resources and have adopted a continuous risk management cycle which identifies, assesses, prioritises and mitigates unacceptable risks to our regulatory objectives or a particular sector of our financial services industry. We recognise that these risks may arise from within or outside the DIFC so we regularly monitor regional and international financial markets and trends. This systematic assessment of risk allows us to identify common issues across our regulated community and to undertake necessary thematic work in response.

Our risk-based philosophy applies to all divisions of the DFSA and all our dealings with regulated entities. We believe that focusing more on outcomes rather than the way they should be achieved, results in more effective and efficient risk-based regulation.

The DFSA believes that it is appropriate to clearly and regularly state our approach to regulation to ensure it is clearly understood by all stakeholders. Our Approach to Regulation together with the DFSA's Vision, Mission and Values form the foundation upon which we do our work.

## KEY DFSA-WIDE INITIATIVES

This year, as in 2007, the DFSA pursued two initiatives that merit highlighting because of their significance to the DFSA's strategic objectives and because of the significant cross-divisional commitment of resources and expertise.

### **TOMORROW'S REGULATORY LEADERS PROGRAMME**

The TRL training and development programme is the flagship programme of the DFSA for the development of Emirati graduates to become regulators. Our emphasis is on creating sustainable opportunities with the aim of producing world-class regulators to join our existing employee cadre.

Our first intake of trainees from 2006 joined the workforce in 2008, taking up manager positions in our Authorisation, Supervision and Markets Divisions. We have added a further six Associates in 2008 to the five recruited to the programme in 2007 and will again have two scholarship students join us for a one month education programme during their university education.

In 2008, we conducted a complete review of the structure and content of the programme. This resulted in a change in the schedule for both the first and second years of training. The first year starts with a three week orientation, followed by a programme of 34 modules and a total of 64 days of off-the-job training, with the balance of the year being on-the-job coaching in Divisions. The second year focuses on study for external professional qualifications with strong tutorial support combined with more coaching in Divisions to prepare Associates to take up Manager positions at the end of the programme.

The TRL programme is a major commitment for the DFSA with two full-time dedicated employees and the significant involvement of over 50% of our regulators in training or coaching roles.

### **Risk-Based Regulation**

The DFSA takes a risk-based approach to regulation and seeks to avoid imposing unnecessary regulatory burden. We achieve this in a number of ways; from our risk-based capital regime, to ensuring that any new regulatory requirements put on Firms serve a useful purpose. This, together with responding to any regulatory or misconduct issue in a way which is proportionate, is at the heart of risk-based regulation.

While this has been our approach from day one, we want to ensure we develop an agreed and consistent view of risk, have systems which allow us to be responsive, processes which reflect our view of risk and a culture that means our approach is sustainable. To facilitate this we initiated an ambitious project to review our information needs, regulatory regime and processes; and ensure that an understanding of and measured response to risks to our statutory objectives is at the core of our work.

As with most regulators, the DFSA is charged with meeting a number of objectives, set out in our charter. These include maintaining an orderly market, upholding investor confidence and protecting investors. From time-to-time events may challenge these objectives. Such events can range from economic threats to incidents of market misconduct. We describe these as risks to our statutory objectives. Central to a risk-based approach to regulation is being able to identify, assess and respond to such risks.

It is also critical that we develop a level of tolerance to risk, in order that our regulatory response, be it by way of Rule, process or enforcement action, is appropriate. For example, we could try to ensure that no Authorised Firm in the DIFC ever went out of business, a so-called 'zero failure' regime. However the capital and other requirements imposed on firms to ensure such an outcome, would be unduly onerous and preclude firms from doing business profitably. Therefore an early step of the risk-based regulation project was to establish a level of tolerance to identified risks.

Other aspects of this project include developing a set of principles which underpin our approach to risk and which guide our staff in their work, reviewing our processes for identifying, assessing and responding to risk and ensuring our Rulebook requirements are appropriate and don't impose unnecessary regulatory burden.

Two of the outputs of the project which will be obvious to Firms; a rolling review of the DFSA Rulebook and a review of our Authorisation Forms to make them more user-friendly and streamline the amount of information required.

The risk-based regulation project touches every part of our regulatory approach and will be rolled out over the course of 2009 and 2010. A key benefit for firms will be that DFSA will have examined all of its requirements and processes and removed any which do not serve a useful purpose.

## DIVISIONAL INITIATIVES

### **POLICY AND LEGAL SERVICES**

The Policy and Legal Services Division drove a number of important policy initiatives and implemented these by changes to our Rules and Laws.

#### **Key Policy Review**

The most significant policy work undertaken, was the DFSA's Key Policy Review which was outlined in Consultation Paper 52 and implemented on 1 July 2008. The Key Policy Review incorporated a number of initiatives, including a change to the range of clients with whom Authorised Firms could deal. Prior to 1 July 2008, firms could only deal with customers who had \$1 million or more of liquid assets. As the DIFC and its firms matured and business grew, and to bring our regime more in-line with other financial centres and the European framework, the Key Policy Review proposed removing this restriction and allowing firms to deal with retail clients for most types of business. The proposals received strong support and were implemented largely as proposed.

Those firms that do not wish to deal with retail clients can carry on business as before, dealing with Professional Clients with little change to their regulatory requirements. For firms who wish to deal with Retail Clients, the new provisions require a number of retail protections to be afforded to such clients.

Another element of the Key Policy Review was to take some de-regulatory measures in our Collective Investments regime. The regime has been simplified and some restrictions removed and replaced by more appropriate disclosure obligations.

By widening the definition of 'Client', requiring retail protections where appropriate and changing our funds regime, the DFSA continues to meet key international standards and allows firms who meet the requirements of the European Markets in Financial Instruments Directive (MiFID) to meet the requirements of the DFSA.

#### **Communications and Strategic Planning**

The C&SP unit continues to focus on making the DFSA accessible to its key stakeholders and protecting its reputation. The unit is responsible for a number of publications to DFSA stakeholders, including the Annual Report, the Business Plan, The DFSA in Action and a range of leaflets on key topics.

The new DFSA website was launched early in July of 2008. The site is now updated with news and regulatory developments on a regular basis, and there is a new subscription service to inform users of new information available via e-mail. Although the redesign was focused on updating the look and feel of the website, the content was also rewritten to more closely align to other DFSA publications.

The unit continued to build the reputation of the DFSA regionally and internationally through media releases and targeted media interviews, as well as participation at relevant conferences and events. The addition of an economist to the team has resulted in

various research projects being undertaken such as the analysis of Dubai and UAE inflation and the development of detailed forecasts to support the Remuneration Committee's work.

The unit provides support for the implementation of key DFSA projects, such as a targeted internal and external communication plan for the implementation of the Key Policy Review. The unit is also responsible for coordinating the Strategic and Business Planning process for the DFSA, which has now been completed for the next business cycle of 2009/2010.

#### **AUTHORISATION**

We passed the milestone of 300 authorised and registered firms in the DIFC during 2008. The core function of processing applications for firms and individuals accounted for the majority of the activity of the Division.

A consistent set of objectives underlies all Authorisation activity: to make the right authorisation decision; to deliver an efficient service to our applicants; and to operate a fair and efficient authorisation process.

As part of the DFSA TRL programme, the Division provided substantial training and coaching to our Emirati interns on all aspects of our authorisation activity. Support for this initiative is now an integral part of our core activities.

The Division engaged our main stakeholders to promote understanding of our approach to authorisation and our regulatory process. We participated in regional regulatory seminars and maintained a constructive dialogue with applicants and their advisors throughout 2008 with the aim of enhancing the quality of applications.

The Division supports all training aimed at enhancing our professionalism, technical expertise and efficiency. Our training and education in 2008 was targeted at improving our technical expertise in Islamic Finance, AML/CTF surveillance and insurance. We also invited speakers from the industry to present on Islamic finance and private equity to gain a better understanding of these important topics from the perspective of the key players in the industry.

#### **OVERVIEW OF 2008 AUTHORISATION ACTIVITY**

**Authorised Firms:** The annual increase in the number of Authorised Firms during 2008 was 81, versus 72 in 2007.

**Registered ASPs:** The annual increase in the number of Registered ASPs during 2008 was 13, versus 17 in 2007.

**Authorised Individuals:** The number of Individuals approved to perform one or more licensed functions during 2008 was 393, versus 490 in 2007.

## **SUPERVISION**

As an integrated cross-sectoral regulator, the DFSA supervises banks, reinsurers, brokers, asset managers, collective investment funds and other Firms licensed to provide financial services in the DIFC.

The primary means of Firm oversight and surveillance is on-site reviews by experienced financial supervisors. During 2008, the Supervision Division conducted 97 on-site risk assessments. Specific matters subject to review and assessment include the overall level of Firm risk and the adequacy of capital, corporate governance and the quality of executive management, internal audit and controls, and compliance with applicable laws and regulations. Particular focus is placed on ensuring compliance with laws and controls related to the prevention of money laundering and terrorist financing.

Supervision, with the assistance of the Association of Chartered Certified Accountants, commenced its on-site reviews of three registered auditor Firms as part of the supervision programme for registered auditors.

These on-site risk assessments were supplemented by off-site firm surveillance via analysis of quarterly reports of Firm financial conditions required to be submitted to the DFSA. The DFSA also conducted thematic reviews of capital adequacy planning and corporate governance, as well as training and competence.

Many licensed entities in the DIFC are branches of or affiliated with firms licensed by a home country regulator in another jurisdiction. The DFSA, as host regulator, has effective information-sharing protocols to ensure that there are no gaps in the supervision of these entities and the home country regulator has a comprehensive picture of enterprise-wide risk.

There continues to be an increase in Firms varying their scope of license with 28 variations being implemented during 2008. Many Firms continued to move from start-up to an active operating phase and seek enhancements to the scope of their licence in-line with the growing maturity of the business environment. Post the implementation of the Key Policy Review in July, some Firms have expanded their licence to conduct retail business.

The Division continues to focus on engaging with Firms through various initiatives - two AML/CTF information sessions were held and four Outreach sessions. The DFSA was also represented at a risk management session sponsored by the Securities and Investment Institute, as well as at the Complinet Education Programme.

Several members of the Supervision Division completed Certified Anti-Money Laundering Specialist and Islamic Finance Qualification Courses. The Division also participated in the activities of the IAIS, representing the DFSA on the Technical Committee and a number of other committees. Regulations and guidance for the implementation of Basel II have been completed and the Division continues to review ongoing compliance with a range of international standard setters.

Regarding Islamic finance, Supervision continues to be active in supporting initiatives involving AAOIFI, the IFSB and the Islamic Finance Advisory Board of DIFCA. During 2008, we gained a board seat on AAOIFI and continue to be active with IFSB working parties.

### **Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and United Nations (UN) Sanctions**

The UAE Penal Code and other federal criminal laws continue to 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 is actively engaged in fostering a culture of AML/CTF compliance by regulated entities within the DIFC. The DFSA has ensured that its AML/CTF regulatory regime is in line with international standards set by the Financial Action Task Force (FATF). The initial vetting of all applicants and the ongoing supervision of AML/CTF compliance remains high on the DFSA's agenda and forms an integral part of its risk-based supervisory approach. Assessing the effectiveness of AML/CTF controls established and maintained by Firms forms a vital component of the ongoing risk assessment process.

The IMF completed and published a detailed assessment report on the AML/CTF regime in the UAE, including the DIFC. In this report, the IMF noted that "the regime applied to financial institutions operating within the Dubai International Financial Centre tends overall to be relatively close to the FATF standards." The DFSA has taken action in 2008 to further improve its AML/CTF regime based on this report. This includes, but is not limited to directing all DFSA regulated entities to more closely monitor UN Sanctions Lists and ensuring that customer due diligence measures are a continuous process. The DFSA used on-site risk-assessments to test the systems and controls of regulated entities in relation to AML/CTF, with particular emphasis on Know Your Customer and Suspicious Transaction Reporting processes. As part of this targeted exercise, the DFSA is also reviewing the level of compliance with relevant UN Security Council Resolutions.

**UN Security Council Sanctions** - All DFSA regulated entities are required to check and monitor whether they maintain any accounts or otherwise hold any funds, other financial assets, economic benefits and economic resources for individuals named in the relevant UN Sanctions Lists. Compliance with UN Sanctions is an integral part of the DFSA's supervisory processes for all regulated entities.

**Suspicious Transactions Reports (STRs)** - Following passage of the previously mentioned AML Law in the UAE, the Central Bank formed a national financial intelligence unit, termed the Anti-Money Laundering Suspicious Cases Unit (AMLSCU) to deal with suspicious cases and suspicious transaction reporting. The AMLSCU liaises with law enforcement authority and counterparts in other countries. In 2008, eight STRs were filed by regulated entities with the AMLSCU (with a copy sent to

the DFSA) compared to 13 STRs filed in 2007. All STRs were identified as a result of effective AML/CTF procedures within the Firms.

**Training and Awareness** - AML/CTF awareness throughout the DIFC is actively supported by the DFSA which continues to roll-out a number of training and information sessions. Two internal training sessions with DFSA staff were conducted and two information sessions were provided to regulated entities throughout the year. The DFSA encourages and supports staff members to obtain certificates as AML specialists. DFSA employees were further engaged as speakers at several conferences and seminars related to compliance, financial crime and AML/CTF issues.

## MARKETS

In July 2008, the Markets Division granted an amended Authorised Market Institution (AMI) licence to NASDAQ Dubai (formerly known as Dubai International Financial Exchange Limited) to operate a derivative exchange in the DIFC, but not commodity derivatives. Subject to restrictions, the licence enables qualified members to trade options and futures on NASDAQ Dubai. Trading in derivatives commenced on 19 November. NASDAQ Dubai received its licence to operate an exchange with respect of securities in September 2005.

The Markets Division discussed proposed substantial amendments to NASDAQ Dubai Listing Rules which were released for public consultation. It also undertook a complete review of the Offered Securities Rules.

The DME launched two new financial contracts in 2008. The DME Brent Crude Oil Financial contract is cash-settled against ICE's Brent Crude Futures Contracts and the DME Oman Crude Oil Financial contract is cash-settled against the DME's Oman Crude Oil Futures Contract.

**Exchange Supervision** - Due to increased market activity on NASDAQ Dubai and DME in 2008, the Division completed a number of operational reviews of these exchanges relating to compliance with certain AMI requirements.

**Reporting Entity Supervision** - The Division also continued to monitor the disclosures of Reporting Entities and actively engaged with them to ensure appropriate disclosures were made. To date there are 41 Reporting Entities.

**Recognised Bodies and Recognised Members** - A Recognised Body is an exchange, clearing house or settlement organisation that is located outside the DIFC, but undertakes a financial service within the DIFC. The recognition regime in the DFSA Rules is designed to reduce the day-to-day involvement of the DFSA in the supervision of these entities and to allow the DFSA to rely substantially on the supervisory and



regulatory arrangements in the country where the applicant's head office is situated. During the year, the Division recognised the Board of Trade of the City of Chicago Inc (CBOT) to operate an exchange. This brings the total number of Recognised Bodies to six.

Recognised Members are members of an AMI who have no physical presence in the DIFC. The Markets Division recognised six applications from firms seeking membership on NASDAQ Dubai, including for the first time Recognised Members located within the UAE. The Division also recognised three applications from firms seeking membership on the DME.

There are now 20 Recognised Members on NASDAQ Dubai and 75 Recognised Members on DME.

The Markets Division continued to develop closer links with international and UAE regulatory agencies. The Division contributed to IOSCO working groups and participated in a major IOSCO taskforce.

## **ENFORCEMENT**

Enforcing proper standards within the DIFC remains the cornerstone of the DFSA's regulatory objectives. The Enforcement Division continued to uphold regulatory standards by initiating a range of enforcement actions against firms and individuals who failed to maintain the standards expected of them.

**Shuaa Capital** - The DFSA initiated proceedings in the DIFC Court against Shuaa Capital International Limited and Shuaa Capital psc (collectively Shuaa Capital) to enforce compliance with a requirement under Article 80 of the Regulatory Law to deliver books and records to the DFSA that had not earlier been delivered as required. The DFSA was successful in its application and Shuaa Capital was ordered to deliver the relevant books and records and pay the DFSA's costs of the proceedings.

The DFSA sanctioned Shuaa Capital for manipulating the price of DP World Limited shares on NASDAQ Dubai on 31 March 2008. The DFSA determined that Shuaa Capital intentionally set about to raise the closing price of DP World shares so that it could mark up the book value of its proprietary portfolio in those shares for accounting purposes. It did so by entering the market during the closing minutes of trading with bid prices well above those at which DP World shares had been trading in the ordinary course of business. The DFSA also determined that Shuaa Capital obstructed the DFSA investigation.

The sanctions agreed to by Shuaa Capital pursuant to an Enforceable Undertaking made with the DFSA include financial penalties totalling US\$850,000 for market manipulation and US\$100,000 for obstructing the DFSA's investigation and other remedial actions.

**GFS Investments** - The DFSA sanctioned GFS Investments (Middle East) Limited, its Authorised Individuals and several employees as the DFSA determined that:

- GFS Investments traded outside the permitted limits of its DFSA licence;
- Trading included repeated instances of mis-selling, including transactions that were unfair, unsuitable and not made in the best interests of customers;
- In some cases, the mis-selling was accompanied by deliberate and dishonest conduct calculated to deceive the DFSA; and
- The licensed Directors of GFS Investments failed to exercise the required level of governance and supervision of their relevant executives and employees.

As a consequence of the determinations, sanction agreed to by GFS Investments, its Authorised Individuals and several of its employees by way of Enforceable Undertaking included GFS Investments paying a financial penalty of US\$25,000 and its Authorised Individuals and employees paying between US\$3,000 and US\$70,000. A further term of the Enforceable Undertakings entered into by 8 of the 10 Authorised Individuals and employees included refraining from performing any function in connection to the provision of financial services within the DIFC for a period of five years. A Licensed Director agreed to resign his position and acknowledge that he would not reapply to be an Authorised Individual. Fines of up to US\$5,000 were imposed on all relevant parties. Additionally, GFS was required to compensate relevant clients to an amount exceeding US\$500,000 for financial losses suffered as a result of the misconduct.

GFS investments has undertaken not to provide any financial services in or from the DIFC until governance, risk management and compliance arrangements, satisfactory to the DFSA, have been approved. The sanctions were imposed by way of Enforceable Undertakings offered by GFS, its Authorised Individuals and employees to the DFSA.

The effectiveness of the Enforcement Division is enhanced through its relationships with key stakeholders. The Division continued to liaise and provide assistance to both regional and international authorities and regulatory agencies. The Division had 16 activities involving requests for assistance from and to co-regulators and agencies utilising the bilateral and multi-lateral MoUs and extended its outreach to a number of key international organisations.

Timely responses to consumer complaints are the first but critical steps in an effective regulatory framework. The Division sponsored enhancements to the DFSA's Complaints Management System by providing an e-portal through which consumers of financial products and services can make online complaints to the DFSA. The website guides consumers through the complaint making process in an easy-to-read format and enhances the DFSA's responsiveness and effectiveness as a front line regulator.

A confidential internal database has been developed to capture all relevant data and information received from the public. It also tracks and records the timeliness of the

Division's responses. The database will also provide valuable information to assist the analysis and monitoring of trends in complaints which in turn will assist in the identification of potential risks to the DFSA and DIFC.

### **OFFICE OF GENERAL COUNSEL**

2008 was, for the most part, business as usual in terms of General Counsel advising the Board of Directors, its Committees and the Executive on governance and legal matters affecting the DFSA. Of particular significance to the DFSA, was the review and update of its Codes of Values and Ethics for Employees and for Members of the Board, Committees and Tribunals.

### **International Relations**

Since it was established in 2004, the DFSA has placed high priority on building its information and co-operation network. By the end of 2008 we had a bilateral and multi-lateral MoU network with 70 regulators across the globe. Particular emphasis was given to embracing multi-lateral arrangements, negotiating outstanding MoUs with key home regulators and to responding to requests for regulatory information from existing signatories.

In terms of multi-lateral initiatives, the DFSA applied to become a signatory to the International Association of Insurance Supervisors (IAIS) Multi-lateral MoU, an initiative among insurance supervisors inspired by the IOSCO Multi-lateral MoU. The requirements and principles involved are similar to those in the IOSCO MoU, to which the DFSA became a signatory in July 2006.

In November, the DFSA became a signatory to the Boca Declaration, the Declaration on Co-operation and Supervision of International Futures Markets and Clearing Organisations. The Boca Declaration is the only international futures specific initiative among futures regulators to co-operate and share information. Becoming a signatory involves obtaining the consent of the 28 existing signatories.

As activity increased for Authorised Firms in the DIFC, so have requests for assistance from fellow regulators. Consistent with its legal responsibilities and its commitments through MoUs, the DFSA has responded to more than 20 requests for regulatory information.

Throughout 2008, the DFSA sustained its commitment to support the work and objectives of international standard setting bodies. As a member of the IOSCO Emerging Markets Committee, the DFSA participated in the activities of a number of its working groups and attended both of its meetings during the year. We also participated in the work of the Implementation Taskforce, which is currently engaged in a review of IOSCO principles and methodology. As a member of IOSCO's Africa and Middle East Regional Committee, the DFSA attended the annual meeting hosted by the Conseil du Marché Financier of Tunisia.

The DFSA continues to actively contribute to the work of the Technical Committee of the IAIS. The DFSA is an Associate Member of the Islamic Financial Services Board and has been participating in a number of its working groups. The DFSA is also an Observer member of AAOIFI. In May 2008, the Managing Director of Supervision was appointed as a member of the AAOIFI accounting and auditing standards board for three years.

In 2008, the DFSA welcomed and briefed over 35 visiting foreign delegations.

#### **MoUs signed with the DFSA in 2008**

1. Securities and Futures Commission, Hong Kong – 3<sup>rd</sup> April
2. Cyprus Securities and Exchange Commission – 19<sup>th</sup> May
3. Financial Services Board of the Republic of South Africa – 27<sup>th</sup> May
4. The Malta Financial Services Authority – 7<sup>th</sup> July
5. Belgium Banking Finance and Insurance Commission – 8<sup>th</sup> July
6. The Irish Financial Services Regulatory Authority – 11<sup>th</sup> July
7. The Commission Bancaire (Banque de France) – 8<sup>th</sup> August
8. China Securities Regulatory Commission – 27<sup>th</sup> September
9. Monetary Authority of Singapore – 6<sup>th</sup> October
10. Capital Markets Authority, Sultanate of Oman – 30<sup>th</sup> October
11. Taiwan Financial Supervisory Commission – 5<sup>th</sup> November
12. Declaration on Co-operation and Supervision of International Futures Markets and Clearing Organisations (The Boca Declaration) – 25<sup>th</sup> November

#### **CORPORATE SERVICES AND OPERATIONS**

The Corporate Services and Operations Division includes the Administration Department, the Information Technology (IT) Department, the Projects and Risk Management Department and the Finance Department.

#### **Projects and Risk Management**

The Department continued business process reviews to improve the organisation's processes and service standards. In 2008, process reviews were concluded within the Human Resources, Communications and Strategic Planning, Office of General Counsel Departments and the Markets Division.

Project Management also continued to play a central role in cross-divisional projects throughout 2008. The Department successfully managed the implementation of the Key Policy Review, the review and revamp of the DFSA website and the standardisation of responses to regulator requests.

The DFSA considers the Health and Safety of its employees of prime importance. As a result, the DFSA continues to comply with and update, according to global standards, its Health and Safety policies and procedures. Thirteen members of DFSA staff are certified in First Aid and CPR.

A number of independent Internal Audit reviews were conducted to report on the effectiveness of operations and overall compliance with good business practices. Using a third party internal auditor, the Internal Audit activities that were coordinated in 2008 include an audit of the Human Resources Department, DFSA Project Management Methodology, effectiveness of the Business Contingency Plan and IT Security Controls (including Penetration Testing).

### **Information Technology**

The IT Department continued to build upon the secure foundation and infrastructure established over the last 3 years. In 2008, 24 projects and initiatives were successfully implemented. The initial focus was to ensure that all of the systems and solutions developed in 2007 were implemented at the secondary alternative data centre for high availability and Business Continuity purposes. This included implementing the Electronic Prudential Reporting System and the e-Mail Archiving solutions at the secondary location. Other improvements included the introduction of a centralised logging system to analyse all servers concurrently and upgrading all systems to run on optimum memory, software and firmware. All systems were maintained to the highest standards with various third party health checks being conducted on the database, e-mail and centralised security systems. All findings were positive on the security and maintenance of these systems. In addition to these, the DFSA invested in a proactive approach on all of its systems to ensure that all software and hardware issues are escalated and reported to the relevant team members seamlessly, this includes e-mail and sms notifications and a system that will automatically identify which systems are defective including hardware parts replacement with automatic ordering and delivery.

The largest of the projects in 2008 was the relocation of the primary data centre to a much larger facility. This project also led to an upgrade of the entire network capacity and speed by the introduction of state-of-the-art switching devices and internal security gateway capabilities on top of the existing infrastructure. This move will ensure that the future needs of the DFSA are met.

The DFSA launched a new look and feel website with much improved functionality such as an alerts system for fraudulent activity and a complaints section for online complaints submission. Other in-house projects included enhancements to the current HR and Finance systems and various feasibility studies looking at e-mail via mobile and enhancements to the current Regulatory Information System.

Extensive external network penetration testing was conducted by an independent third party. This was the second time for such a test and will be repeated every year.

Projects completed in 2008 include:

- Internal Messaging
- Electronic Prudential Reporting System
- e-Mail Access via Mobiles Scoping
- Log server
- Win Zip V I I
- Time Server
- RAM Upgrades
- Service Pack Upgrades
- e-Mail Archiving System
- Internet Explorer 7
- RIS Scoping
- DFSA website
- MPLS Upgrade
- Electronic Signatures Feasibility
- Fraud Warning System
- Databases for Enforcement / OGC
- ER4 Data Centre
- Complaints System
- Domain Controllers
- Gulf HR
- Document Management
- Penetration Testing
- Great Plains
- Telephone System

#### **Office Administration**

The Department's objective of providing a professional office environment to staff and visitors to the DFSA was successfully achieved. The team responded to all requests in a timely manner, always ensuring that adequate administration support was available to all DFSA staff. Routine maintenance work also continued to be carried out on a regular basis to ensure safety and improve the quality and functionality of the environment.

There has been a considerable increase in the number of external sessions being held internally by the various business units for larger audiences. The team continued to ensure that additional security arrangements and the required support was always available as required.

The requirements for offsite archival of records and documents have also increased due to the lack of storage space on the premises. The team continues to effectively oversee the archival and retrieval process of all documents stored offsite, also ensuring that detailed records are maintained.

The safety of all DFSA staff and visitors continued to be a major priority for the DFSA therefore, the team continued to ensure that all the existing Fire Systems and Emergency First Aid equipment were regularly monitored and serviced and that routine inspections and testing were carried out according to DFSA guidelines. A record has been maintained of all the status reports submitted to date. The updated official DFSA Emergency Guide was also recently circulated to all DFSA staff.

## **Finance**

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 has been responsible for budgeting, MIS reporting, fee invoicing, maintaining books of accounts, preparing financial statements, cash and bank management, payroll processing, procurement of goods and services and maintaining the fixed assets register.

The books of accounts and the annual audit for the financial year 2007 were completed within a month's time from the closure of the financial year. A clean audit report was presented to the Board of Directors at its meeting held in February 2008 and the accounts were approved by the Board in the same meeting.

During 2008, the annual review of the Finance policies manual and the processes was carried out. Our accounting system was updated and customised to improve and enhance the functionalities. These exercises assisted the Finance team in improving our operational efficiencies, reducing transaction processing time and establishing tighter internal controls.

The Board is regularly informed of the DFSA's financial performance at its meetings during the year. Due to careful financial management, the DFSA has, for the fourth year running, controlled its expenditure within approved budgets.

## **HUMAN RESOURCES**

A major thrust for 2008, which will roll over to 2009, has been the development of our approach to Learning and Development for all DFSA employees. Through the Learning and Development Board we have conducted a significant exercise to identify employee

development needs and devise a number of programmes to meet those needs which will be delivered through 2009.

Alongside the development of this programme we have conducted a complete review of our TRL programme to ensure its continued relevance and the quality of its delivery. We have also succeeded in graduating our 2006 intake of Associates into Manager roles in our Regulatory Divisions.

While we cannot be complacent, the retention programme introduced in 2007 has proved valuable, reducing our employee turnover from 22% in 2007 to 11% in 2008. Of those identified in our retention exercise in 2007, we have lost only one person considered 'key to keep'. Particularly important in this respect is the reduction in turnover among our regulatory staff from 24% in 2007 to 13% in 2008, as this group is responsible for the development and application of our regime and is difficult to recruit internationally.

Equally important is our ability to retain our TRL Associates. This group is key to our long term goal of sustainable regulation in the region delivered through local nationals. To date we have retained 75% of our 2006 intake and 100% of 2007. Albeit small in number, this is a significant achievement given the turnover experienced in other such programmes in the country.

Where we have lost employees through turnover, and to support our growth in a continuing tight recruitment market, we have done well to attract high quality experienced regulators to our workforce from established tier one jurisdictions.

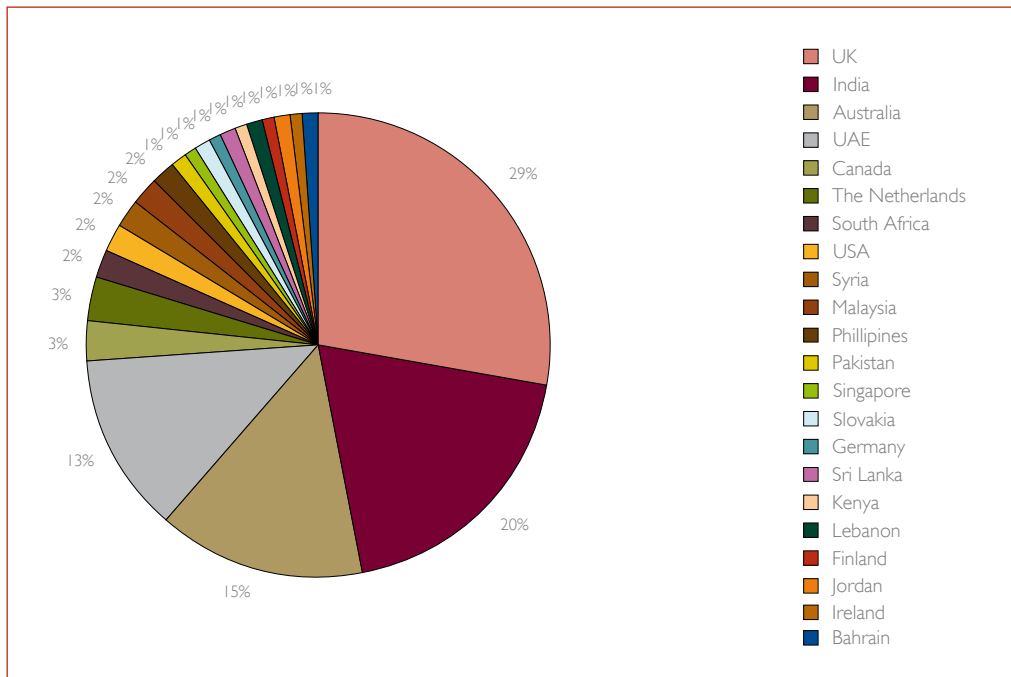
The HR team has completed a major review of policies and processes in the first quarter of 2008 and has been audited by our internal auditors. The resulting review of the report in the Audit and Risk Committee was highly complementary of the quality of service provided by the HR Department and particularly of the progress made over the past two years.

### **Nationalities**

DFSA employees hail from over 20 countries around the world.



## NATIONALITY CHART



## 2008 KEY PERFORMANCE STATISTICS

### THE DFSA IN ACTION IN 2008

• Firms Authorised	81
▶ Islamic Institutions	3
▶ Firms with an Islamic Window	2
• Individuals Authorised	624
• Ancillary Service Providers Registered	13
• Auditors Registered	5
• MoUs signed	12
• Enforceable Undertakings	11
• Consultation Papers	7
• Number of employees	116
• Employee increase from 2007	6
• Tomorrow's Regulatory Leaders	11

### POLICY AND LEGAL SERVICES IN 2008

• Consultation Papers (Policy, Laws and Rules) published	7
▶ Proposals substantially agreed in consultation %	95%
• Laws enacted	1
• Rule making instruments made	9
• Waivers and Modifications Applications	85
• Waivers and Modifications granted (incl Key Policy Review replacements)	84

### AUTHORISATION IN 2008

• Total number of applications received	107
• Applications (AFs) processed within 50 business days	58%
• Applications (ASPs) processed within 7 business days	78%
• Applications in progress	38
• Applications withdrawn	24
• Applications rejected	0

### SUPERVISION IN 2008

• Risk Assessments of Authorised Firms	97
• Risk assessments initiated within timeframe %	100%
▶ Average processing time (business days)	9
• Licence Variations	28
▶ Average processing time (business days)	14

### MARKETS IN 2008

• NASDAQ Dubai Listings Documents and Decisions reviewed	19
▸ Number reviewed in less than minimum period set out in the Offered Securities Rules	70%
• Notifications of Securities Offers from the DIFC	3
• Disclosure notifications to NASDAQ Dubai (delegate of DFSA)	797
• Recognised Member applications approved	9
• Recognised Body applications approved	1

### ENFORCEMENT IN 2008

• Enforceable Undertakings	11
• DIFC Court applications and orders	1
• Success in obtaining enforcement action and court orders %	100%

### OFFICE OF GENERAL COUNSEL IN 2008

• MoUs	12
• International requests for information and assistance	23
• Visiting Foreign Delegations	35

### CORPORATE SERVICES AND OPERATIONS IN 2008

• Statutory accounting and reporting obligations received and published unqualified auditors' report on time	100% compliance
• Financial performance within approved operating budget	100% compliance
• 2008 surplus as % of total expenditure	18.50%
• 2008 surplus as % of total income	15.61%

### HUMAN RESOURCES IN 2008

• Tomorrow's Regulatory Leaders: Graduate Intake	6 (5 in 2007)
• Tomorrow's Regulatory Leaders: Scholarships	2 (2 in 2007)
• Number of Employees	116 (110 in 2007)
▸ International	101 (98 in 2007)
▸ Emiratis	15 (12 in 2007)
• Turnover	11.7% (22.72% in 2007)
▸ Regulators	16% (24.5% in 2007)
▸ Non-regulators	8% (20.6% in 2007)



## APPENDICES



## **APPENDIX I**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

#### **DUBAI FINANCIAL SERVICES AUTHORITY**

#### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

	Pages
Independent auditor's report	62-63
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Statement of financial performance	65
Statement of changes in equity	66
Cash flow statement	67-68
Notes to the financial statements	69-78

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 of 31 December 2008 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 notes.

### **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 69 to 71 of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 respects in accordance with the accounting policies set out on pages 69 to 71 of the financial statements.

PricewaterhouseCoopers  
Dubai, United Arab Emirates  
4 February 2009

**BALANCE SHEET**

		31 December			
	Notes	2008	2008	2007	2007
		AED'000	US\$'000	AED'000	US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	3	8,846	2,410	10,792	2,939
Intangible assets	4	1,645	449	2,543	693
		10,491	2,859	13,335	3,632
<b>Current assets</b>					
Prepayments and other receivables	5	11,148	3,037	9,419	2,569
Cash and cash equivalents	6	107,066	29,174	82,908	22,591
		118,214	32,211	92,327	25,160
<b>Total assets</b>		<b>128,705</b>	<b>35,070</b>	<b>105,662</b>	<b>28,792</b>
<b>EQUITY</b>					
<b>Contributed capital and reserves</b>					
Contributed capital	2.3	32,180	8,770	28,341	7,725
Accumulated surplus		35,742	9,738	23,593	6,428
<b>Total equity</b>		<b>67,922</b>	<b>18,508</b>	<b>51,934</b>	<b>14,153</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Provision for employees' end of service benefits	7	7,442	2,028	6,285	1,712
<b>CURRENT LIABILITIES</b>					
<b>Non-current liabilities</b>					
Creditors, accruals and other liabilities	8	23,981	6,534	15,212	4,145
Funds received in advance from Government	2.3	29,360	8,000	32,231	8,782
		53,341	14,534	47,443	12,927
<b>Total liabilities</b>		<b>60,783</b>	<b>16,562</b>	<b>53,728</b>	<b>14,639</b>
<b>Total equity and liabilities</b>		<b>128,705</b>	<b>35,070</b>	<b>105,662</b>	<b>28,792</b>

These financial statements were approved by the DFSA Board on 4 February 2009.

Signed on behalf of the DFSA Board

The notes on pages 69 to 78 form an integral part of these financial statements.

	Notes	Year ended 31 December			
		2008		2007	
		AED'000	US\$'000	AED'000	US\$'000
Appropriations from the Government	2.3	125,088	34,084	106,759	29,089
Fee income	2.2	30,487	8,307	20,845	5,680
Other income		2,120	578	2,421	660
<b>Total Income</b>		157,695	42,969	130,025	35,429
General and administration expenses	9	(117,580)	(32,039)	(102,450)	(27,915)
Board of Directors' expenses	11	(15,488)	(4,220)	(12,072)	(3,288)
<b>Total expenses</b>		(133,068)	(36,259)	(114,522)	(31,203)
Surplus for the year		24,627	6,710	15,503	4,226

## STATEMENT OF CHANGES IN EQUITY

	Contributed capital		Accumulated surplus		Total	
	AED'000	US\$'000	AED'000	US\$'000	AED'000	US\$'000
<b>Year ended 31 December 2007</b>						
At 1 January 2007	24,904	6,788	30,110	8,202	55,014	14,990
Additional capital contributed (Note 2.3)	3,437	937	-	-	3,437	937
Remittance to Government	-	-	(22,020)	(6,000)	(22,020)	(6,000)
Surplus for the year	-	-	15,503	4,226	15,503	4,226
<b>At 31 December 2007</b>	<b>28,341</b>	<b>7,725</b>	<b>23,593</b>	<b>6,428</b>	<b>51,934</b>	<b>14,153</b>
<b>Year ended 31 December 2008</b>						
At 1 January 2008	28,341	7,725	23,593	6,428	51,934	14,153
Additional capital contributed (Note 2.3)	3,839	1,045	-	-	3,839	1,045
Remittance to Government (Note 13)	-	-	(12,478)	(3,400)	(12,478)	(3,400)
Surplus for the year	-	-	24,627	6,710	24,627	6,710
<b>At 31 December 2008</b>	<b>32,180</b>	<b>8,770</b>	<b>35,742</b>	<b>9,738</b>	<b>67,922</b>	<b>18,508</b>

**CASH FLOW STATEMENT**

	Notes	Year ended 31 December			
		2008		2007	
Operating activities		AED'000	US\$'000	AED'000	US\$'000
Surplus for the year		24,627	6,710	15,503	4,226
Adjustments for the following items:					
Depreciation	3	5,380	1,464	5,477	1,493
Amortisation	4	1,261	343	758	207
Properties and equipment written off		42	11	4	1
Provision for employees' end of service benefits	7	3,407	929	3,285	895
Interest income		(2,120)	(578)	(2,421)	(660)
Operating cash flows before payment of employees' end of service benefits and movements in working capital		32,597	8,879	22,606	6,162
Payment of employees' end of service benefits	7	(2,250)	(613)	(1,030)	(281)
Changes in working capital :					
Prepayments and other receivables	5	(1,452)	(393)	(793)	(219)
Creditors, accruals and other liabilities	8	8,769	2,389	5,537	1,509
<b>Net cash provided by operating activities</b>		<b>37,664</b>	<b>10,262</b>	<b>26,320</b>	<b>7,171</b>
<b>Investing activities</b>					
Purchase of property and equipment	3	(3,476)	(946)	(1,618)	(441)
Purchase of intangible assets	4	(363)	(99)	(1,819)	(496)
Adjustments to property and intangible assets		-	-	95	26
<b>Net cash used in investing activities</b>		<b>(3,839)</b>	<b>(1,045)</b>	<b>(3,342)</b>	<b>(911)</b>

	Notes	Year ended 31 December			
		2008		2007	
		AED'000	US\$'000	AED'000	US\$'000
<b>Financing activities</b>					
Interest received		1,843	503	2,214	604
Additional contributed capital		3,839	1,045	3,437	937
Remittance to the Government		(12,478)	(3,400)	(22,020)	(6,000)
Net (decrease) / increase in funds received in advance from the Government)	2.3	(2,871)	(782)	4,682	1,276
<b>Net cash used in financing activities</b>		<b>(9,667)</b>	<b>(2,634)</b>	<b>(11,687)</b>	<b>(3,183)</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,158</b>	<b>6,583</b>	<b>11,291</b>	<b>3,077</b>
Cash and cash equivalents, beginning of the year	6	82,908	22,591	71,617	19,514
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>107,066</b>	<b>29,174</b>	<b>82,908</b>	<b>22,591</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

### **I 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 as follows:

#### **2.1 BASIS OF PREPARATION**

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

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

#### **2.2 FEE INCOME**

Application fees are recognised as income when received. 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.

#### **2.3 FUNDS RECEIVED FROM AND REMITTED TO THE GOVERNMENT**

Funds received from the Government towards the acquisition of property and equipment and intangible assets are treated as contributed capital and those received 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 the following year are treated as funds received in advance under current liabilities and are appropriated in the financial statements of the following year.

Funds remitted to the Government are recognised as an appropriation from accumulated surplus in the year in which the appropriation is approved by the Board of Directors of the DFSA.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 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.

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

#### 2.5 FINES

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

#### 2.6 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

Capital work-in-progress is stated at cost and transferred to the appropriate asset category when it is brought into use and depreciated or amortised in accordance with the DFSA's accounting policy.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

### **2 ACCOUNTING POLICIES (CONTINUED)**

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.

#### **2.7 INTANGIBLE ASSETS**

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

#### **2.8 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.

#### **2.9 CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, 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.

#### **2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**3 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Fixtures and fittings	Office equipment	Computer equipment	Motor vehicles	Capital work in progress	Total
<b>Cost</b>							
At 1 January 2008	13,578	4,008	941	4,648	229	309	23,713
Additions	51	6	140	3,099	-	180	3,476
Transfer from capital work in progress	-	-	-	309	-	(309)	-
Disposals/write off	-	-	(3)	(207)	-	-	(210)
At 31 December 2008	13,629	4,014	1,078	7,849	229	180	26,979
<b>Depreciation</b>							
At 1 January 2008	6,612	3,107	539	2,479	184	-	12,921
Charge for the year	2,718	698	238	1,681	45	-	5,380
Disposals	-	-	(3)	(165)	-	-	(168)
At 31 December 2008	9,330	3,805	774	3,995	229	-	18,133
<b>Net book amount</b>							
At 31 December 2008	4,299	209	304	3,854	-	180	8,846
At 31 December 2007	6,966	901	402	2,169	45	309	10,792

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**3 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Fixtures and fittings	Office equipment	Computer equipment	Motor vehicles	Capital work in progress	Total
<b>In US\$'000</b>							
<b>Cost</b>							
At 1 January 2008	3,700	1,093	257	1,266	62	84	6,462
Additions	14	2	38	843	-	49	946
Transfer from capital work in progress	-	-	-	84	-	(84)	-
Disposals/write off	-	-	(1)	(56)	-	-	(57)
At 31 December 2008	3,714	1,095	294	2,137	62	49	7,351
<b>Depreciation</b>							
At 1 January 2008	1,799	849	148	676	51	-	3,523
Charge for the year	743	188	64	458	11	-	1,464
Disposals	-	-	(1)	(45)	-	-	(46)
At 31 December 2008	2,542	1,037	211	1,089	62	-	4,941
<b>Net book amount</b>							
At 31 December 2008	1,172	58	83	1,048	-	49	2,410
At 31 December 2007	1,901	244	109	590	11	84	2,939

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**4 INTANGIBLE ASSETS**

	2008	2008	2007	2007
<b>Cost</b>	AED'000	US\$'000	AED'000	US\$'000
At 1 January	3,942	1,075	2,134	582
Additions	363	99	1,819	496
Adjustment	-	-	(11)	(3)
At 31 December	4,305	1,174	3,942	1,075
<b>Amortisation</b>				
At 1 January	1,399	382	641	175
Amortisation	1,261	343	758	207
At 31 December	2,660	725	1,399	382
Net book amount at 31 December	1,645	449	2,543	693

Intangible assets represent purchased software.

**5 PREPAYMENTS AND OTHER RECEIVABLES**

	2008	2008	2007	2007
	AED'000	US\$'000	AED'000	US\$'000
Prepayments	10,254	2,794	8,405	2,291
Other receivables	644	175	530	146
Staff advances	250	68	484	132
	11,148	3,037	9,419	2,569

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**6 CASH AND CASH EQUIVALENTS**

	2008 AED'000	2008 US\$'000	2007 AED'000	2007 US\$'000
Cash in hand	14	4	4	1
Current account with bank	47,701	12,998	8,036	2,190
Short term fixed deposits	59,351	16,172	74,868	20,400
	107,066	29,174	82,908	22,591

All bank balances are held with a bank licenced in the UAE. The average year end interest rate on short term fixed deposits was 4.19% (2007: 4.58%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**7 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

	2008 AED'000	2008 US\$'000	2007 AED'000	2007 US\$'000
At the beginning of the year	6,285	1,712	4,030	1,098
Provision made during the year (see below)	3,407	929	3,285	895
Payments during the year	(2,250)	(613)	(1,030)	(281)
At the end of the year	7,442	2,028	6,285	1,712

The provision made during the year is charged as follows:

	2008 AED'000	2008 US\$'000	2007 AED'000	2007 US\$'000
Staff costs (Note 10)	3,342	911	3,226	879
Other board expenses (Note 11)	65	18	59	16
	3,407	929	3,285	895

**8 CREDITORS, ACCRUALS AND OTHER LIABILITIES**

	2008 AED'000	2008 US\$'000	2007 AED'000	2007 US\$'000
Trade creditors	2,893	788	2,780	757
Employee related accruals	1,165	317	979	267
Other accruals	1,077	293	1,395	380
Fee income received in advance	15,167	4,133	7,229	1,970
Amount payable to the Government of Dubai (i)	3,679	1,003	-	-
Payable to a Government authority (ii)	-	-	2,829	771
	23,981	6,534	15,212	4,145

(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.

(ii) The amount payable to a Government authority in 2007 represented a liability to the Dubai International Financial Centre Authority (DIFCA) mainly towards rent, utilities and other expenses.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**9 GENERAL AND ADMINISTRATION EXPENSES**

	Year ended 31 December 2008		Year ended 31 December 2007	
	AED'000	US\$'000	AED'000	US\$'000
Staff costs (Note 10)	88,601	24,143	78,859	21,488
Depreciation (Note 3)	5,380	1,464	5,477	1,493
Recruitment costs	2,251	614	3,444	938
Office rent	6,960	1,896	3,227	879
Training, conferences and seminars	2,757	751	2,765	754
Legal, consultancy and professional fees	2,132	581	2,320	632
Communication costs	2,169	591	1,086	296
Marketing expenses	1,173	320	952	259
Amortisation (Note 4)	1,261	343	758	207
Vehicle maintenance	235	64	104	28
Finance cost	29	8	65	18
Property and equipment written off	42	11	4	1
Other expenses	4,590	1,253	3,389	922
	117,580	32,039	102,450	27,915

**10 STAFF COSTS**

	Year ended 31 December 2008		Year ended 31 December 2007	
	AED'000	US\$'000	AED'000	US\$'000
Salaries	50,967	13,888	46,865	12,770
Other benefits	34,292	9,344	28,768	7,839
Employees' end of service benefits (Note 7)	3,342	911	3,226	879
	88,601	24,143	78,859	21,488

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**  
(CONTINUED)

**11 BOARD OF DIRECTORS' EXPENSES**

	Year ended 31 December 2008		Year ended 31 December 2007	
	AED'000	US\$'000	AED'000	US\$'000
Retainer fees	4,565	1,244	4,247	1,157
Attendance fees	3,075	838	2,368	645
Travelling	2,702	736	1,705	464
Others	5,146	1,402	3,752	1,022
	15,488	4,220	12,072	3,288

**12 OPERATING LEASE COMMITMENTS**

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

	2008	2008	2007	2007
	AED'000	US\$'000	AED'000	US\$'000
Not later than 1 year	6,960	1,896	6,960	1,896
Later than 1 year and no later than 5 years	6,960	1,896	13,920	3,793
	13,920	3,792	20,880	5,689

**13 REMITTANCE TO GOVERNMENT**

At the meeting of the Board of Directors held on 7 February 2008, the Board approved the remittance to the Government of AED 12,478,000 (US\$ 3,400,000) from accumulated surplus. Accordingly, this amount has been reflected as a remittance to the Government in the current year.

At the meeting of the Board of Directors held on 3 February 2009, the Board approved the remittance to the Government of AED 14,680,000 (US\$ 4,000,000) from accumulated surplus. Accordingly, this amount will be reflected as a remittance to the Government in the financial statements of the DFSA for the year ending 31 December 2009.



## 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, 2008 and December 31, 2007 by the Board and Senior Officers of the DFSA.

#### REMUNERATION OF THE CHAIRMAN AND NON EXECUTIVE BOARD MEMBERS:

Remuneration bands

Amounts in US\$	2008 Board Members	2007 Board Members
\$100,001 to \$150,000	0	1
\$150,001 to \$200,000	5	8
\$200,001 to \$250,000	4	2
> \$250,001	1	0
	10	11
	2008(\$)	2007(\$)
The aggregate amount of total remuneration of non executive members of the Board shown above:	2,202,889	1,943,873

#### 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 2008 were US\$87,347 (Chairman US\$275,000). Board meeting attendance fees were US\$6,353 per meeting (Chairman US\$12,650).
- 3 Committee membership fees during 2008 were US\$6,353 per Committee (Committee Chairman fee US\$12,705). Committee meeting attendance fees were US\$2,541 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.

## REMUNERATION OF THE CHIEF EXECUTIVE AND SENIOR OFFICERS:

### Remuneration bands

Amounts in US\$	2008 Executives	2007 Executives
\$100,001 to \$200,000	0	1
\$200,001 to \$300,000	1	0
\$300,001 to \$400,000	5	10
\$400,001 to \$800,000	12	8
> \$800,000	1	1
	19	20
	2008	2007
	\$	\$
The aggregate amount of total remuneration of executives shown above:	10,974,814	9,839,813
Executives remuneration included in the above comprised:		
	2008	2007
	\$	\$
Salaries and Performance Bonuses	8,445,078	7,665,938
Other emoluments and benefits	2,529,736	2,173,875

### NOTES:

- Salaries and bonuses are pro-rated based on actual duration of service during the year.
- 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 2008.

## **APPENDIX 3**

### **AUTHORISED FIRMS LICENCED IN 2008**

---

A/T Capital Management Limited

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Aegis Rock Limited

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Agilis Global Limited

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Al Habib Financial Services Limited

---

AL-PER Solutions Limited

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Amas Bank (Middle East) Limited

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AON (DIFC) Gulf Ltd

---

Barclays Global Investors Limited

---

BBY Dubai Limited

---

Bemo Oddo Investment Firm Limited

---

Cayman National (Dubai) Ltd

---

Cerberus Middle East Capital Advisors Limited

---

City of London Investment Management Company Limited

---

Crédit Agricole Cheuvreux

---

Credit Europe Bank (Dubai) Limited

---

Dar International Investment Bank

---

Deloitte Corporate Finance Limited

---

Diwan Capital Limited

---

Dresdner Bank (DIFC) Limited

---

Dubai Holding Insurance Services PCC Limited

---

Duet Mena Limited

---

Eastgate Capital Group Limited

---

Epic Investments Limited

---

Essdar Capital Limited

---

Essdar Capital Managers Limited

---

Evolence Capital International Limited

---

Fairfax Middle East Limited

---

---

FH Capital Limited

---

FirstRand PRivat Wealth Management (Middle East) Limited

---

GE Capital Middle East & Africa Ltd

---

Fairfax Middle East Limited

---

GFI Securities Limited

---

Gowest Capital Limited

---

Gulf Investments Limited

---

Gulf Reinsurance Limited

---

Hana Bank

---

HC Investment Banking (DIFC) Limited

---

Industrial and Commercial Bank of China (Middle East) Limited

---

Innovest Securities Company Limited

---

International General Insurance Company (Dubai) Limited

---

Intesa Sanpaolo S.p.A

---

Itaú Middle East Securities Limited

---

Jasper Corporate Finance

---

KBC Financial Products UK Limited

---

Landesbank Baden-Württemberg

---

Levant Capital Limited

---

Lime Rock Dubai LLP

---

Lion Capital Management Limited

---

Lionhart (Middle East) Limited

---

Macquarie Capital Advisers (Dubai) Limited

---

Macquarie Capital Funds (Dubai) Limited

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Majid Al Futtaim Asset Management Limited

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Maples Finance (Dubai) Limited

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Matsh Management Services (Dubai) Limited

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Mazaya Investments (DIFC) Limited
NBD Sana Capital Limited
Neerav Investment Advisory Services (Dubai) Limited
Omniyat Investment Management Limited
Orion Capital Limited
Paradigm Investment Banking Company Limited
Pharos Financial Advisors Limited
Quilvest (Dubai) Limited
Rasameel Investment Bank Limited
Renaissance Capital (Dubai) Limited
Renaissance Investment Management (Dubai) Limited
Ryland Gray Investor Services (DIFC) Limited
Saffar Capital Limited
Sarasin-Alpen & Partners Limited
SEI Investments (Europe) Limited
Silverdale Services (Dubai) Limited
Sovereign Risk Insurance (Dubai) Limited
Swiss Life Private Placement (Middle East) Limited
Swicorp (UAE) Limited
Thames River Capital LLP
The Bank of New York Mellon
The Emirates Capital Limited
Triago MEA Limited
Trimark Capital Limited
Vanbreda International (Dubai) Limited
VR Advisory Services (Dubai) Limited
Woori Bank

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

## APPENDIX 4 ANCILLARY SERVICE PROVIDERS REGISTERED IN 2008

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Curtis, Mallet-Prevost, Colt & Mosle LLP

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Dewey & LeBoeuf LLP

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DLA Piper Middle East LLP

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Farahat & Co LLP\*

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Fichte & Co LLP

---

Gide Loyrette Nouel

---

Kilpatrick Stockton LLP

---

Latham & Watkin LLP

---

Loyens & Loeff Emirates BV

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Mazars Middle East LLP\*

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Sajjad Haider Chartered Accountants Limited Liability Partnership\*

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Vinson & Elkins LLP

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Zaid Ibrahim & Co

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\*Also Registered Auditor  
Refer to the DFSA website for the full public register of all Ancillary Service Providers.

## APPENDIX 5

### AUDITORS REGISTERED IN 2008

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BDO Patel & Al Saleh

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Farahat & Co Limited Liability Partnership\*

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Mazars Middle East LLP\*

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Morison Menon Chartered Accountants

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Sajjad Haider Chartered Accountants Limited Liability Partnership\*

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\*Also Ancillary Service Provider  
Refer to the DFSA website for the full public register of all Auditors.

## APPENDIX 6

### MEMBERS OF AMIs RECOGNISED IN 2008

Al Ramz Securities LLC	NASDAQ Dubai
Battalion Capital Management, LLC	DME
Direct Broker for Financial Services LLC	NASDAQ Dubai
FAL Oil Company Limited	DME
JP Morgan Securities Ltd	NASDAQ Dubai
Mashreq Securities LLC	NASDAQ Dubai
Mercuria Energy Trading S.A	DME
Susquehanna International Securities Ltd. (SIS)	NASDAQ Dubai
Union Brokerage Company LLC	NASDAQ Dubai

#### **Bodies Recognised in 2008**

The Board of Trade of the City of Chicago, Inc



## APPENDIX 7

### MEMORANDA OF UNDERSTANDING

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#### MULTILATERAL MoU

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IOSCO

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#### BILATERAL MoUs

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Australia	Australian Securities and Investments Commission
Belgium	Banking, Finance and Insurance Commission
China	China Banking Regulatory Commission
Cyprus	Securities and Exchange Commission
Dubai	Dubai Police
Dubai	Public Prosecution Department
Egypt	Capital Markets Authority
France	Banque de France
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht
Greece	Hellenic Capital Market Commission
Guernsey	Financial Services Commission
Hong Kong	Securities and Futures Commission
Iceland	The Financial Supervisory Authority
Ireland	Irish Financial Services Regulatory Authority
Isle of Man	Financial Supervision Commission
Isle of Man	Insurance and Pensions Authority
Japan	Japan Financial Services Authority
Jersey	Financial Services Commission
Jordan	Insurance Commission
Jordan	Central Bank of Jordan
Korea	Financial Supervisory Commission
Luxembourg	Commission de Surveillance du Secteur Financier
Malaysia	Securities Commission

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Malaysia	Bank Negara/the Central Bank
Malta	Malta Financial Services Authority
Netherlands	Authority for the Financial Markets
New Zealand	Securities Commission
Oman	Capital Market Authority
South Africa	Financial Services Board
Switzerland	Swiss Federal Banking Commission
Thailand	Securities and Exchange Commission
Turkey	Capital Markets Board
Turkey	Banking Regulation and Supervision Board
UAE	Emirates Securities and Commodities Authority
UK	Financial Services Authority
United States	Commodity Futures Trading Commission
United States	The Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision

## **APPENDIX 8**

### **LEGISLATION RELEVANT TO THE DIFC**

#### **FEDERAL LAW**

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An amendment to the UAE Constitution

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Federal Law No 8 of 2004: Regarding the Financial Free Zones in the United Arab Emirates

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Federal Decree No 35 of 2004: establishing the DIFC as a financial free zone in Dubai, accompanied by two Cabinet resolutions

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#### **DUBAI LAW**

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Dubai Law No 9 of 2004: The Law Establishing the Dubai International Financial Centre

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Dubai Law No 12 of 2004: The Law of the Judicial Authority at Dubai International Financial Centre

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#### **DIFC LAWS**

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Regulatory Law

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Data Protection Law

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Markets Law

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Law Regulating Islamic Financial Business

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Trust Law

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Collective Investment Law

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Investment Trust Law

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Companies Law

---

Law on the Application of Civil and Commercial Laws

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Law on the Application of DIFC Laws

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Limited Liability Partnership Law

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Contract Law

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Insolvency Law

---

Arbitration Law

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General Partnership Law

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The DIFC Courts Law

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Employment Law

---

Law of Security

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Personal Property Law

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Law of Damages and Remedies

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Law of Implied Terms in Contract and Unfair Terms Law

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Law of Obligations

---

Law Relating to the Application of DIFC Laws

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Limited Partnership Law

---

Strata Titles Law

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Real Property Law

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## **RULES**

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General (GEN)

---

Authorisation (AUT)

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Supervision (SUP)

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Enforcement (ENF)

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Conduct of Business (COB)

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Prudential - Insurance Business (PIN)

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Prudential - Investment, Insurance Intermediation and Banking Business (PIB)

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Anti-Money Laundering (AML)

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Islamic Financial Business (ISF)

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Offered Securities Rules (OSR)

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Authorised Markets Institution Rules (AMI)

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Recognition Rules (REC)

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Price Stabilisation Rules (PRS)

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Ancillary Service Providers (ASP)

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Prescribed Forms and Notices (PFN)

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Glossary (GLO)

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Data Protection Rules (DAT)

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Prudential Returns Module (PRU)

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The DFSA Sourcebook - Application Forms & Notices (AFN)

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Collective Investment Rules (CIR)

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Takeovers Rules (TKO)

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## APPENDIX 9 GLOSSARY

Authorised Firm	AF
Authorised Market Institution	AMI
Ancillary Service Provider	ASP
Anti-Money Laundering	AML
Counter Terrorist Financing	CTF
Dubai Financial Services Authority	DFSA
Dubai International Financial Centre	DIFC
DIFC Authority	DIFCA
Dubai International Financial Exchange / DIFX	Now known as NASDAQ Dubai
Dubai Mercantile Exchange	DME
Financial Markets Tribunal	FMT
International Monetary Fund	IMF
Memoranda of Understanding	MoU
Regulatory Appeals Committee	RAC
Suspicious Transaction Report	STR
Tomorrow's Regulatory Leaders Program	TRL
United Arab Emirates	UAE

## **APPENDIX 10**

### **CONTACT DETAILS**

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