



Fostering a conducive regulatory environment

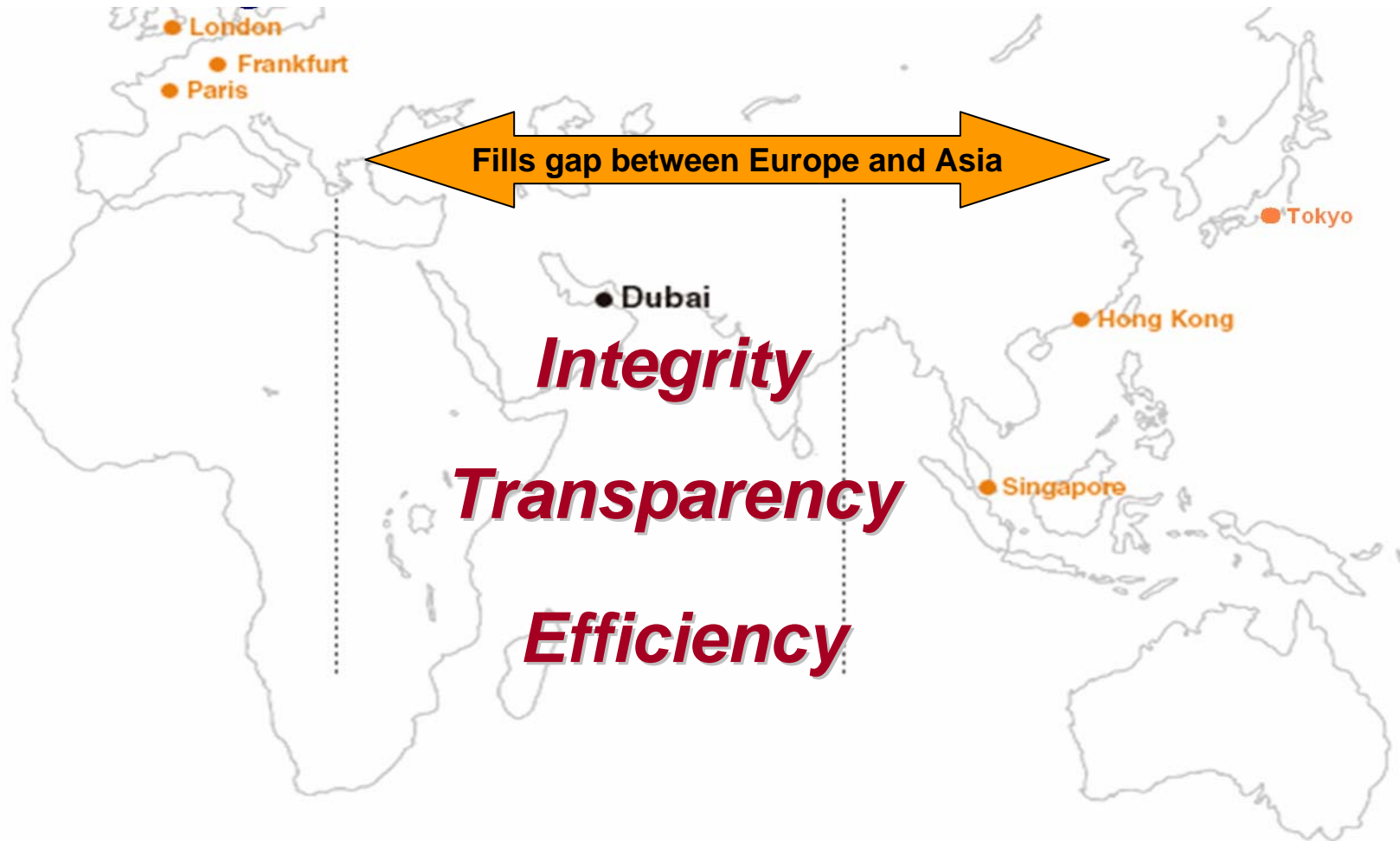
Middle Eastern Business Forum

Dubai Financial Services Authority

Simon Gray

Grand Hyatt, Dubai, 25th April 2007

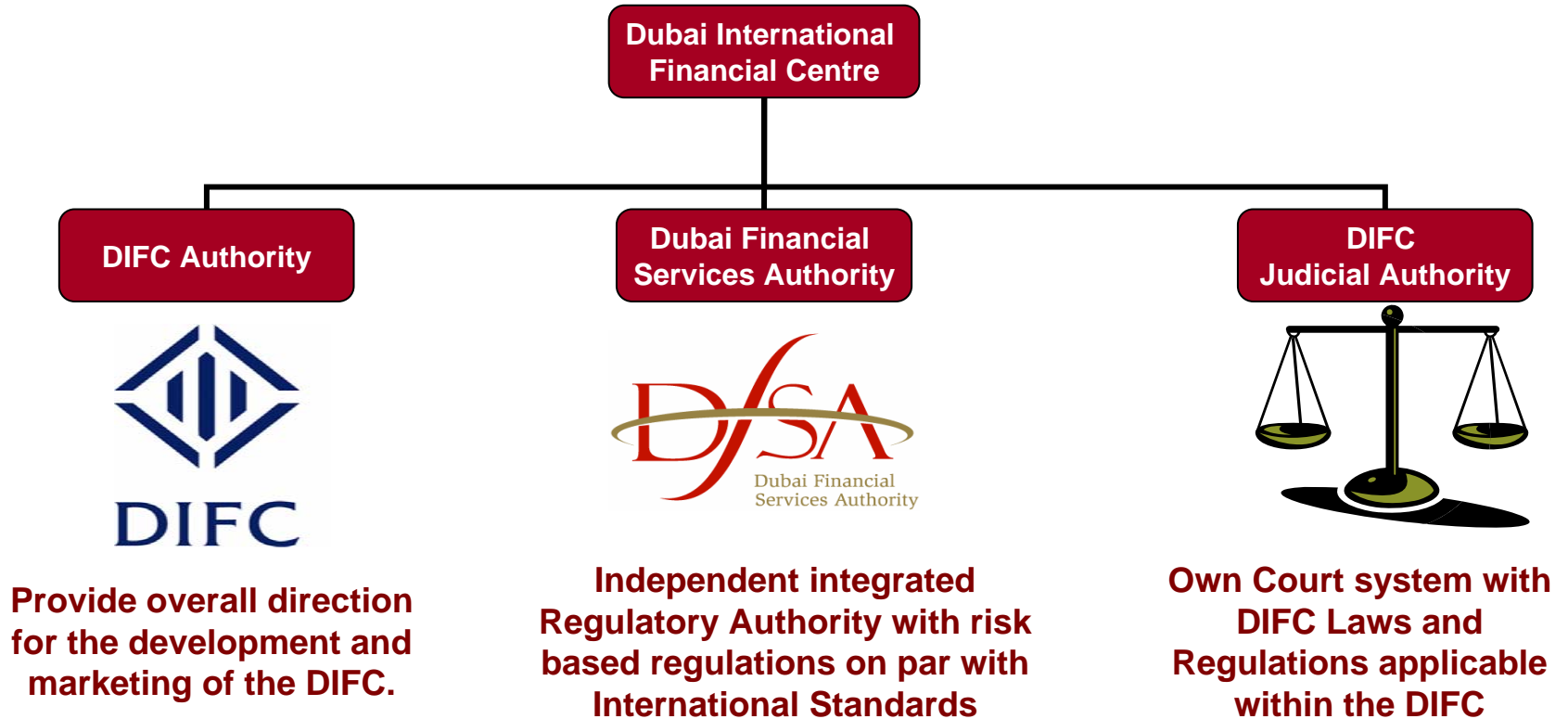
Dubai International Financial Centre (DIFC)



Characteristics of the DIFC



The Structure of the DIFC



DFSA – what is it?

Purpose built integrated regulator of all financial and ancillary services conducted in or from the DIFC

Setting world-class standards based on international best-practice and expertise

An independent body whose autonomy is guaranteed by law

A risk-based regulator actively seeking opportunities to reduce regulatory burdens

DFSA – significant features

*Independent integrated Regulatory Authority
(FSA Model)*

*Statutory authority with guaranteed
operational independence and funding*

*Regulatory approach that is based on
international standards, best practices and
laws of the world's leading financial
jurisdictions*

- ✓ **IOSCO** International Organization of Securities Commissions
- ✓ **Basel** Basel Committee on Banking Supervision
- ✓ **IAIS** International Association of Insurance Supervisors
- ✓ **FATF** Financial Action Task Force
- ✓ **IFSB** Islamic Financial Services Board

Multilateral & bi-lateral memoranda of understandings

IOSCO Multilateral MOU (effective 7 Jun 06)

Bi-lateral MOUs

1. Australia Australian Securities & Investments Commission (effective 12 Sept 06)
2. Dubai, UAE Dubai Police (effective 30 Nov 05)
3. Dubai, UAE Dubai Public Prosecution Dept (effective 12 Jul 06)
4. Egypt Capital Markets Board of Egypt (to be signed 5 Sept 06)
5. Isle of Man Financial Services Commission (effective 21 Feb 06)
6. Isle of Man Insurance and Pensions Authority (effective 21 Feb 06)
7. Jersey Financial Services Commission (effective 13 Mar 06)
8. Jordon Insurance Commission (effective 4 Jun 06)
9. Korea Financial Supervisory Service (effective 11 Apr 06)
10. Malaysia Securities Commission (effective 15 Aug 06)
11. Thailand Securities and Exchange Commission (effective 15 Mar 06)
12. Turkey Capital Markets Board (8 Nov 05)
13. United Arab Emirates Emirates Securities and Commodities Authority (effective 27 Sept 05)
14. United Kingdom Financial Services Authority (effective 28 Feb 06)

Regulatory Protocol

United States – Commodities and Futures Trading Commission (effective 1 Dec 05)

DFSA – key objectives

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

- **fairness, transparency and efficiency** in the financial services industry of the DIFC;
- foster and maintain **confidence** in the financial services industry in the DIFC;
- foster and maintain the **financial stability** of the financial services industry in the DIFC, including the reduction of systemic risk;
- **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;
- **protect direct and indirect users and prospective users** of the financial services industry in the DIFC; and
- **promote public understanding of the regulation** of the financial services industry in the DIFC.

What does the DFSA do?

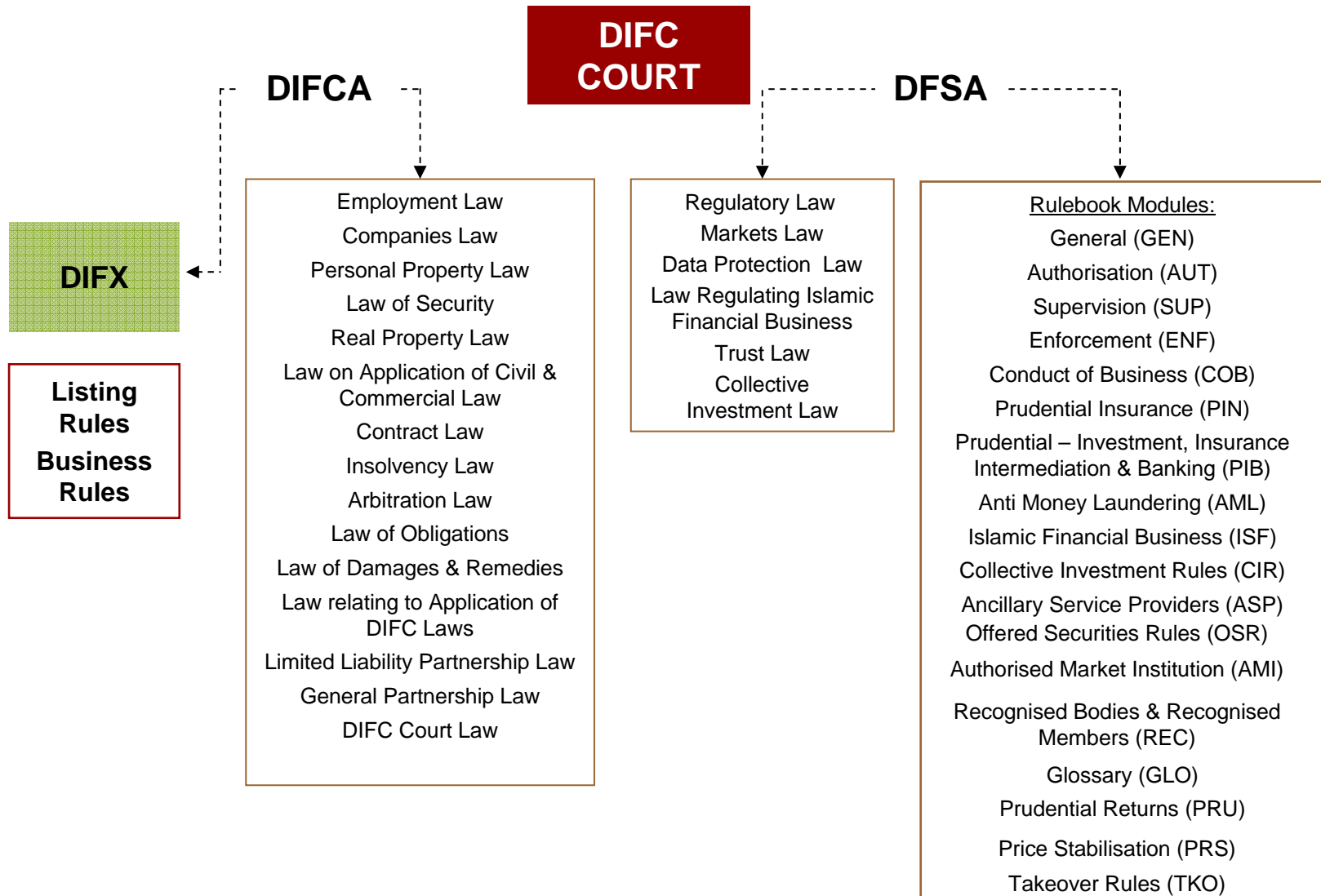
Rule-making and Policy Development – the DFSA Board of Directors is empowered to make Regulations and Rules, and to develop policy. The DFSA also assists in the drafting of DIFC laws.

Authorisation – licensing and registration of Authorised Firms, Authorised Individuals, Authorised Market Institutions and Ancillary Service Providers.

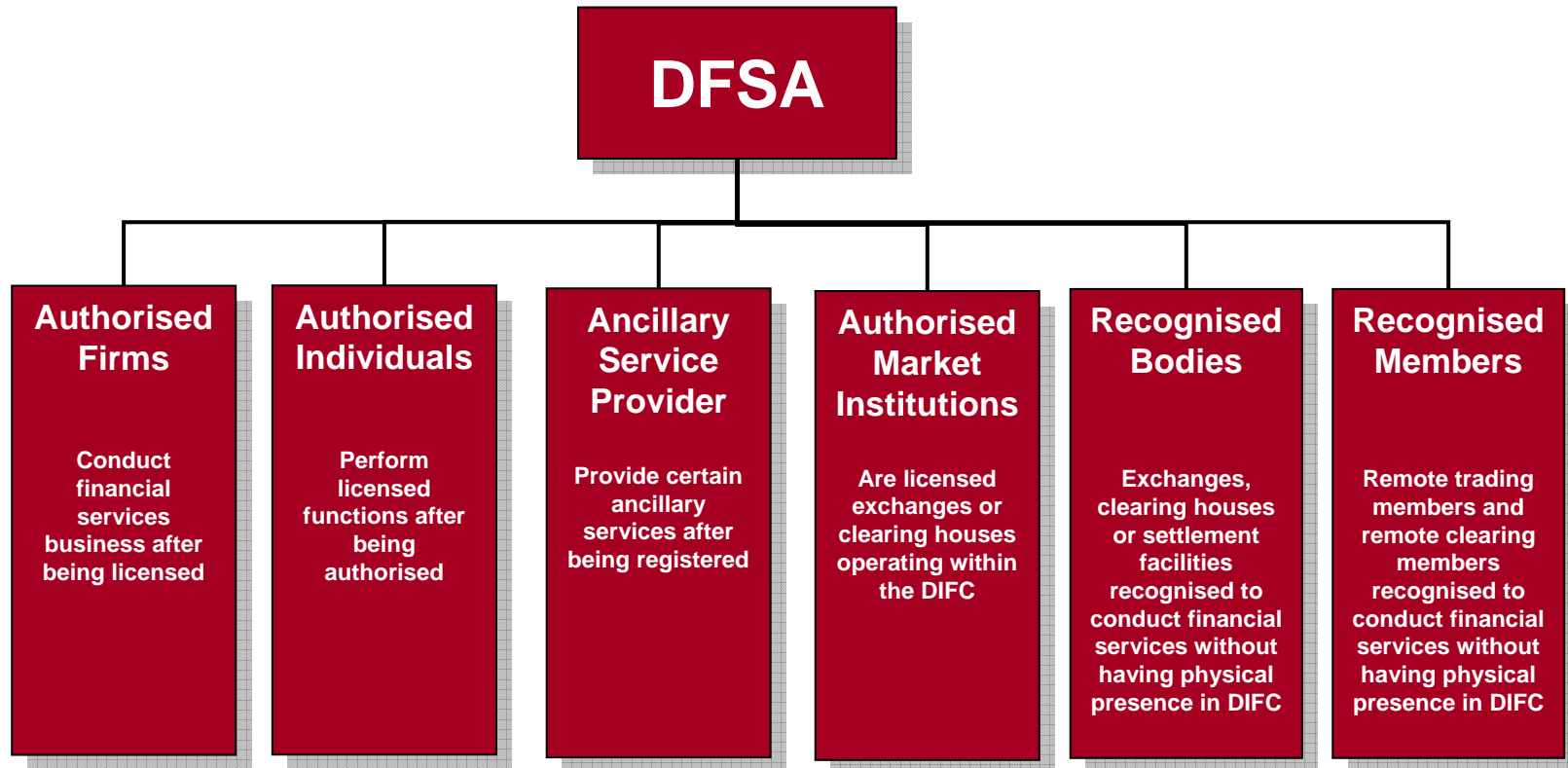
Supervision of authorised, licensed and registered DIFC participants; as well as supervision of offers and listings of Securities in the DIFC and conduct of offerors & companies listed in the DIFC.

Enforcement of the legislation we administer.

DFSA – rule-making and policy



DFSA – licensing and recognition



DFSA AMI Licensing

AMIs

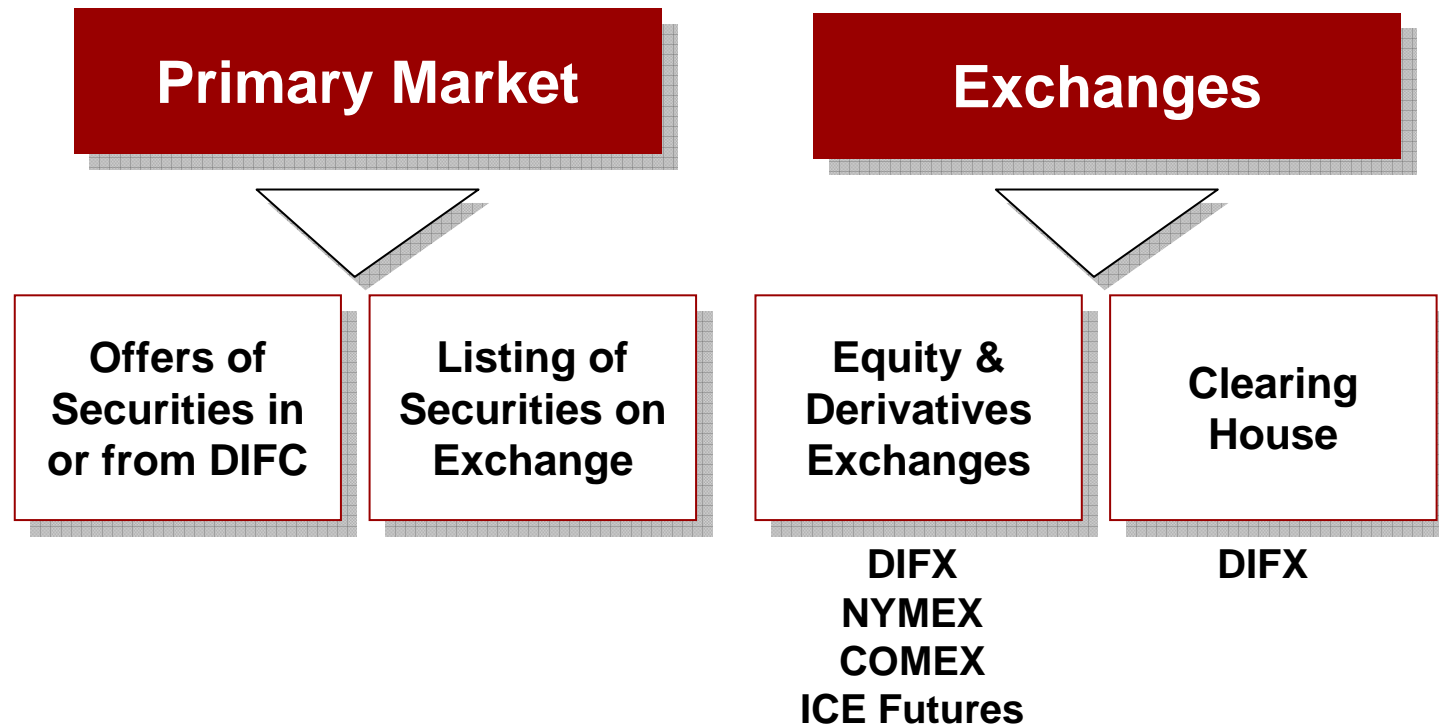
AMI must satisfy up to 19 licensing criteria:

1. Fitness and propriety
2. Proper markets
3. Financial resources
4. Human and technology resources
5. Systems and controls
6. Members' access to facilities
7. General safeguards for investors
8. Identification, deterrence and prevention of Market Misconduct, financial crime and money laundering
9. Promotion and maintenance of standards
10. Whistle blowing
11. Clearing and settlement
12. Transaction recording
13. Safeguarding and administration of assets
14. Business Rules
15. Compliance with Business Rules
16. Complaints
17. Default rules
18. An Official List of Securities
19. Compliance with Listing Rules

Recognised Body

- Licensed to operate exchange or clearing have in a jurisdiction acceptable to DFSA
- Operate to standard which would satisfy the 19 Licensing requirements for AMI

Capital Markets – DIFC



Dubai International Financial Exchange (DIFX)

- DIFX is **Licensed and regulated by the DFSA** after extensive vetting and review by DFSA (with assistance from international experts);
- DIFX is an **Exchange** with its own Listing Rules and Business Rules regarding admission to Membership and rules governing fair and orderly trading, as well as a sophisticated market monitoring system;
- DIFX is a **Clearing House** with its own Clearing, Settlement and Default Rules ensuring timely and accurate discharge of exchange transactions aimed at reduction of systemic risk;
- DIFX is the operator of a **Central Securities Depository** in the form of DIFX Guardian Limited with its own terms and conditions ensuring safe administration of assets

Tailored:

- Listing Rules
- Offered Securities Rules
- Accounting Standards

DIFX – listing rules

Initial Conditions

- Issuer and its business must be suitable for listing
 - track record;
 - market capitalisation;
 - free float
- Issuer must ensure that the arrangements for clearing & settling any trade are acceptable to the DIFX.

Ongoing Conditions

- Issuer must continue to fulfil the relevant eligibility conditions and meet OSR requirements
- Issuer must comply with continuing obligations

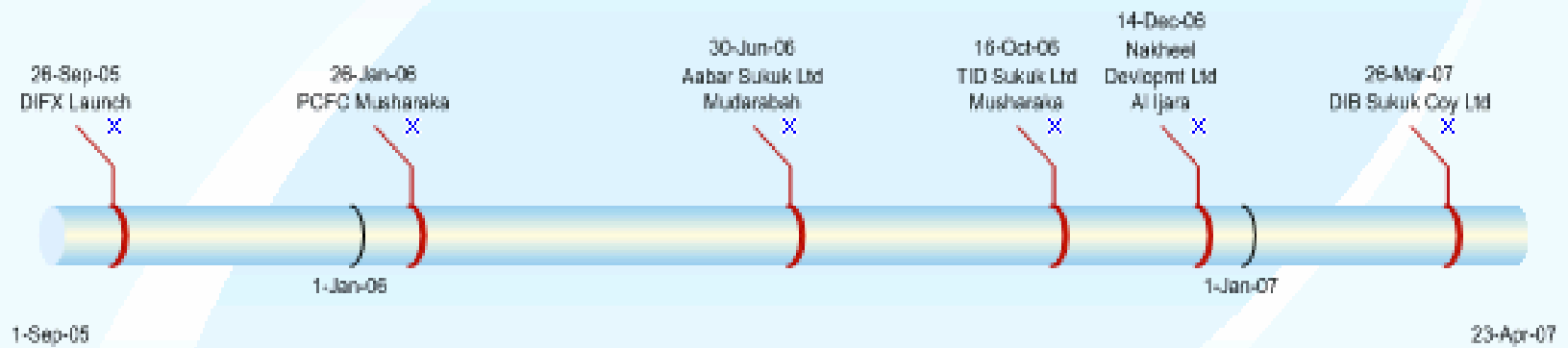
DIFX – Market Regulation

DFSA and DIFX work together to effectively regulate and supervise DIFC capital markets.

- DIFX is the **Listing Authority** with its own Listing Rules, ensuring that only seasoned companies able to meet ongoing disclosure obligations and corporate governance standards are admitted to the Official List of Securities;
- DIFX is the **Frontline Authority** for compliance with continuous disclosure obligations as well as member conduct and partner in relation to maintaining high corporate governance standards in the DIFC;
- DIFX is the **Operator of the Companies Announcements Platform** for corporate disclosures (price sensitive information) in the DIFC

Sukuk Timeline

Monday, April 23, 2007





Questions?

For further information:

Website: www.dfsa.ae