



## Annual Report 2009

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 sixth annual report. It relates to the financial year ended 31 December 2009.

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



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

The 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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## 2009 KEY MILESTONES

### POLICY AND LEGISLATION

- The DFSA introduced a Representative Office regime to allow a simpler regulatory option for Firms undertaking limited marketing activities in the Centre.
- The DFSA established a Market Practitioner Panel to review its Collective Investment Funds regime. The report was published in October.
- The DFSA restructured its Islamic Finance Rules to make them clearer and more accessible to Firms.

### MARKET GROWTH AND SUPERVISION

- The DFSA completed a policy review of the Offered Securities Rules based on experience to date and adoption of risk-based methodology by the DFSA as an organisation.
- The DFSA completed reviews of the regulatory application of DFSA's Offered Securities Rules in respect of Nordic and US based companies to facilitate potential listings by such companies on NASDAQ Dubai.
- The DFSA granted Recognised Body status to NYSE Liffe US LLC enabling it to provide direct access to its US market by authorised persons operating in the DIFC.
- The DFSA conducted a thematic review of Suitability and the Fair Treatment of Customers; Anti-Money Laundering and Counter Terrorist Financing; Customer Due Diligence and Compliance with UN Security Council Sanctions and Resolutions and Outsourcing of Functions.

### KEY UAE MoU's

- The DFSA signed two important MoU's with the UAE Central Bank in 2009 and the Anti-Money Laundering Suspicious Cases Unit (AMLSCU), regarding co-operation and exchange of regulatory information.

### REGULATORY CO-OPERATION

- The DFSA expanded its international network of regulatory co-operation by signing MoU's with regulatory counterparts from Sweden, the Netherlands, South Africa and India. From an operational perspective, responses were provided by the DFSA to 34 requests for regulatory information and assistance from fellow regulators.

### ENFORCEMENT

- The DFSA received and assessed 83 allegations of misconduct during 2009.

- The DFSA responded to 28 misconduct referrals from the Supervision and Markets Divisions. Most referrals were resolved without enforcement action. However the DFSA commenced 9 investigations in 2009 of which 5 were completed. 4 investigations are ongoing.
- The DFSA investigations covered a range of alleged misconduct including insider trading, market manipulation, breaches by Directors of their duties to companies and shareholders, breaches of licence conditions, providing unlicensed financial services in the DIFC and providing false and misleading information to the DFSA.
- The DFSA responded to 18 requests for mutual assistance from international regulators.
- The DFSA made 17 requests for mutual assistance from international regulators.

## **RECOGNITION**

- The Chief Executive was appointed a member of an Advisory Board of two key international accounting bodies, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).
- The Chief Executive joined the Advisory Board of Emirates Securities and Commodities Authority (SCA).
- The Finance Department of the DFSA won the Distinguished Department of the Year Award in recognition of their outstanding commitment to excellence. The award was received by the team at the Governor's Award Ceremony.

## **EDUCATION AND COMMUNITY OUTREACH**

- The DFSA congratulated three UAE Nationals on completing the Tomorrow's Regulatory Leaders (TRL) Programme and on their appointments as Managers in the DFSA's regulatory Divisions.

## **HUMAN RESOURCES**

- The DFSA had 117 employees at year end.
- The DFSA's TRL Programme had 11 Associates at year end and a further 3 Emiratis graduated from the Programme to become regulatory Managers.
- Our focus on our strategic goal of Building Capability led to an average of 6.5 days training days per employee, in 2009.

## STATEMENT BY THE CHAIRMAN ABDULLAH M SALEH



Resilience is a word that springs to mind when I look back at events that transpired in 2009, in this region and particularly in Dubai. We have strength in our conviction and I feel positive that Dubai, and the region as a whole, will benefit from the lessons learnt, and these lessons will encourage greater co-operation and unity.

When I joined the DFSA in 2004 as a Board Director, and was later appointed as Chairman in 2007, I became part of a Board team with a strong purpose to establish and develop a suitable regulatory structure for the, then, new financial centre. I remain privileged to be part of this team and I still feel the same, as we celebrate our 5th anniversary. Over the past five years, I have witnessed the explosive transformation of land and industry, whether that be the countless infrastructure projects, real estate developments or the advancement in our financial services, rules and regulations, across the GCC.

The DIFC has demonstrated its resilience, over time, and has delivered a strong set of benchmarks and continues to make notable progress against its strategic priorities and goals. Firms that have established a presence in the Centre have, largely, been unaffected by the economic conditions, and the DFSA has not seen the mass exodus of Firms, as some people predicted. It is very much Business as Usual.

Protecting the integrity of the Centre will continue to be a paramount objective for both the government and the DFSA as we move forward. It is pleasing to report that licence applications from Firms wishing to establish a presence in the DIFC have continued to grow throughout the year, despite the challenging economic conditions. In addition, the quality of applications received is better than in previous years. 42% of licence applications received in 2009 came from Firms originating from countries that have a regulatory regime that is, at least, equivalent to the DFSA's and 32% of licence applications received were from the GCC. We did, however, see an increase of licence applications from BRIC (Brazil, Russia, India and China) countries and we expect this to continue in the foreseeable future.

2009 saw the DFSA grant the DIFC's first category 5 business licence. This means that the licence holder is the first Islamic Financial Institution to conduct all of its financial activity in accordance with Shari'a and to manage Profit Sharing Investment Accounts. 10% of our Authorised Firms now have Islamic finance capabilities - be it a wholly Islamic institution or an Islamic window. Islamic finance was a key DFSA-wide initiative in 2009 and this will remain the case in 2010. Over the year, we restructured our Rulebook to give a clearer identity to Islamic finance and we commenced work on providing tailored online handbooks. I feel it is important for us to continue to contribute to international thinking on Islamic finance through our public appearances and active involvement through the standard-setting bodies, in this regard.

These challenging times have reconfirmed my desire to pursue the need for greater transparency and quicker adoption of corporate governance frameworks, regionally. Sustained education and reform in this area is required and addressing transparency and governance issues will, most certainly, benefit Firms, markets, investors and regulators alike. The DFSA continues to focus on these subjects via its supervisory reviews and will endeavour to explore Shari'a governance and its links with corporate governance during 2010.

In December 2008, the inaugural President of the DIFC, and our Ruler, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, appointed two UAE nationals as new non-Executive Directors to the Board, Abdul Wahid Al Ulama and Fadel Abdulbaqi Al Ali. They have brought to the DFSA valuable experience across a number of business disciplines as well as a wealth of knowledge about emerging markets and impressive business leadership skills. In 2009, they have made an excellent and telling contribution to the Board.

In our Board meetings, we have discussed a wide range of topics including the development of a leading regulatory regime for Islamic finance, and the DFSA's regulatory risk appetite, flowing from the global economic crisis. I am proud that the Board is so well equipped to give Paul Koster and his team all the support that he needs to adapt to challenging economic and regulatory circumstances so as to continue meeting regulatory objectives to a very high standard.

A key part of the DFSA mission, since inception, has been to contribute to the long-term development of the UAE's financial services sector through education. Our Tomorrow's Regulatory Leaders Programme is an integral part of this knowledge transfer strategy, and I am, personally, very proud of the accomplishments so far.

The 11 Emiratis on this programme are self-motivated and highly achievement oriented and I look forward, with enthusiasm, to watch their growth and long-term regulatory leadership advancement. The 2009 programme highlights can be seen on page 43 of this report.

Finally, and on a personal note, I believe that this is an opportune time to search for new and 'smart' ways to conduct financial services. Dialogue, reflection and learning from our past mistakes will help us in our efforts to improve and potentially prevent such circumstances happening in future. In addition, we must work more effectively with our local and international regulators and with the Firms and markets that we supervise.

Building frameworks for financial services regulation advancement will pose challenges for us in the forthcoming years but nevertheless, I am committed to the goals and objectives of the DIFC as a pre-eminent international financial centre. The DFSA Board believes that the general economic and business environment is likely to remain challenging for 2010.

As the DFSA continues to ensure that it meets the highest standards in financial services regulation in this jurisdiction, I want to look ahead with optimism as we embark on what may be an era of consolidation, mergers and take-overs. We are steadfast in our commitment to all our stakeholders that the DFSA Board and its Executive will continue to deliver its regulatory remit as an independent authority, to the highest international standards, recognising the changing business landscape.

The DFSA has 117 dedicated employees at year end, all of whom have responded positively to a challenging year. On behalf of the Board I would like to thank them for all that they have done in 2009 and I look forward to serving Dubai and the DFSA to the very best of my ability in the years ahead. Our new Governor, His Excellency Ahmed Humaid Al Tayer, can be assured of our full support.



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

## STATEMENT BY THE CHIEF EXECUTIVE

### PAUL M KOSTER



The post-crisis policy debate on the need for changes in regulatory structures and supervisory approaches, is proceeding in earnest. It is clear that the turmoil of the world's financial markets has revealed major issues with a serious underestimation of the impact of globalisation of financial markets and galloping innovation as a destabilising factor. It has also highlighted major weaknesses in the regulatory environment and that protecting the investor requires an even more agile and robust financial services system, with continuous improvement.

Against this backdrop, the DFSA has, in 2009, focused on redirecting efforts to strengthen our supervisory oversight, to amend, where necessary, our Laws and Rules and to review and enhance our operational processes and procedures. Effective supervision and oversight are integral to being an effective regulator and this Annual Report will detail our activity in this regard.

The co-ordinated global fiscal and monetary policy interventions of 2008 to 2009 appear to have stabilised markets and the liquidity of major financial intermediaries. Nevertheless, vulnerabilities remain as the process of deleveraging, asset revaluations, loss recognition and restructuring continues. Linkages among markets and firms have transmitted problems widely, including within key developing and emerging markets.

DFSA supervised entities, including the two Authorised Market Institutions under our oversight, have not been immune, though our Firms remain in overall sound condition. The largely wholesale nature of activity in the DIFC and the predominance of "arranging and advising" business models, the funding and booking of transactions generated in the DIFC at the home office or affiliates located elsewhere, are factors limiting the magnitude of prudential, conduct of business and reputational risks arising in this Centre. Nevertheless, the DFSA continues to remain vigilant whilst continuing to enhance our approach to Firm supervision, focusing on diagnostic monitoring and preventative capabilities.

The DFSA has spent considerable effort this year to participate in these deliberations and to ensure that our regulations and practices take cognisance of lessons learned. We are now members of the three key international financial services standard-setting bodies: the International Organisation of Securities Commissions, the International Association of Insurance Supervisors, and the newly-created Basel Consultative Group, a subgroup of the Basel Committee on Banking Supervision.



Fortunately, today we are facing a more stable market environment, with emerging markets as a prime example of renewed confidence and optimism. Major international financial services firms, confident in the quality and responsiveness of our regulatory regime, continue to seek DFSA authorisation. Existing Firms are expanding their DIFC operations, positioning themselves for future opportunities. The DIFC has clearly achieved critical mass through steady growth and, most importantly, international credibility.

The DFSA's regulatory framework and performance is on par with other respected international financial centres, as concluded by the IMF/World Bank Financial Sector Assessment Programme for the United Arab Emirates. The DFSA continues to place strong emphasis and resources to build on this highly favourable independent assessment.

The DIFC's geographic location provides a financial hub linking capital markets and investors in the East and West. It is ideally positioned to play a leading part in developing the tremendous potential of the economies of the MENASA (Middle East, North Africa, South Asia) region. Hydrocarbon revenue remains of primary significance to the six GCC countries and the broader MENASA region, as they continue to diversify economically. Despite the global downturn, these countries continue to invest in significant infrastructure developments that will facilitate sustained future growth.

Over the past 12 months, the DFSA has taken several proactive steps with regard to our supervisory approach, in times of increased risks, by implementing a broad spectrum of initiatives on both the market conduct and prudential sides of our regulatory task. A Market Practitioners Panel was commissioned in July, tasked to review the DIFC's Collective Investment Fund regime. The Centre has not succeeded as we had hoped in attracting Funds, although development has inevitably been impeded by the global financial crisis. The recommendations made by the panel of experts reflect the consensus of a significant group of industry practitioners in what they believe will take us to the right path.

A Special Surveillance Unit was established this year within the Supervision Division so as to more effectively resource investigations and quickly assess facts of an unfolding situation. The focus is on early detection of objectionable practices or conditions, requiring timely remedial action to curtail excessive financial, conduct of business or reputational risks. This entails performing thematic reviews and on-site inspections of a statistically-valid or judgemental sample of Firms, focusing on a particular emerging issue or risk. The results and observations from these thematic reviews are summarised, without reference to a particular institution, in "Dear SEO" letters posted on the DFSA website. This feedback assists other Firms in assessing their own operations. Ensuring the effectiveness of the DFSA's supervision programme has been a key organisational priority throughout the year. In this regard, there is no substitute for

on-site inspections conducted by experienced supervisors at frequent intervals, with an appropriate level of transaction testing. "Red flags" are thoroughly investigated to determine any underlying concerns. Most matters disclosed requiring Firm managements' attention are correctable in the ordinary course of business. If more serious deficiencies are identified, a formal Risk Mitigation Programme is implemented, specifying actions to be taken to address areas of concern and a timeline for completion.

As discussed in greater detail elsewhere in this Annual Report, the DFSA conducted 135 full-scope and 72 special purpose on-site inspections in 2009. This high level of coverage, supplemented by off-site surveillance, provides a strong risk control framework. However, there is no room for complacency given the challenging operating environment.

Throughout the past year, the Policy and Legal Services Division has continuously evaluated the adequacy of our regulatory framework. We are strongly committed to ensuring that our Laws and Rules reflect current international good and best practice, tailored to our context. Our Rulebook and amendments are benchmarked against other respected jurisdictions and, when adjustments are necessary, we follow a public consultation process, ensuring that we are attuned to current and emerging market practices and changing Firm business models.

Islamic finance is an important area for the DFSA and one which holds a lot of potential, not only in meeting the needs of a particular community but also in pioneering some new approaches and structures. The DFSA strongly supports the development of Islamic finance and the DIFC's vision to be a centre of excellence for Islamic finance activity. In this regard, we will continue to actively participate in two international Islamic finance standard setters: the Islamic Finance Services Board and the Accounting and Auditing Organisation for Islamic Financial Institutions. The harmonisation of standards is a key underpinning to ensuring prudent growth of this important market segment, and the DFSA hopes to assert real regulatory leadership in this arena.

2009 has seen the DFSA not only increase its level of co-operation and information sharing with other regulators, but also strengthen relationships. We now have a multi-lateral and bi-lateral MoU network with 85 regulators across the globe. In February 2009, the DFSA was pleased to sign a historic MoU with the Central Bank of the United Arab Emirates, thereby enhancing and defining existing co-operative arrangements. We believe that by engaging with our fellow regulators in the UAE, and by reaching out to those in the region, the DFSA can make a difference and we can establish our regulatory footprint in the Middle East.

In conclusion, November 2009 saw the DFSA celebrate its fifth anniversary as an independent statutory authority. In that time, the DFSA has established a recognised and credible track record of regulation and high standards of transparency. Indeed, we have managed to build international confidence not only in the regulatory standards that we administer, but also in our people.

I wish to express my sincere gratitude and appreciation to the DFSA Board of Directors and all of my DFSA colleagues for their support of my leadership, having been 'in-the-job' for one year.

Finally, I also wish to extend my thanks to the President of the DIFC, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum; the Governor of the DIFC, His Excellency Ahmed Humaid Al Tayer and our colleagues at DIFCA, all of whom have contributed to supporting our role as an effective and independent regulator of financial services within the Dubai International Financial Centre.

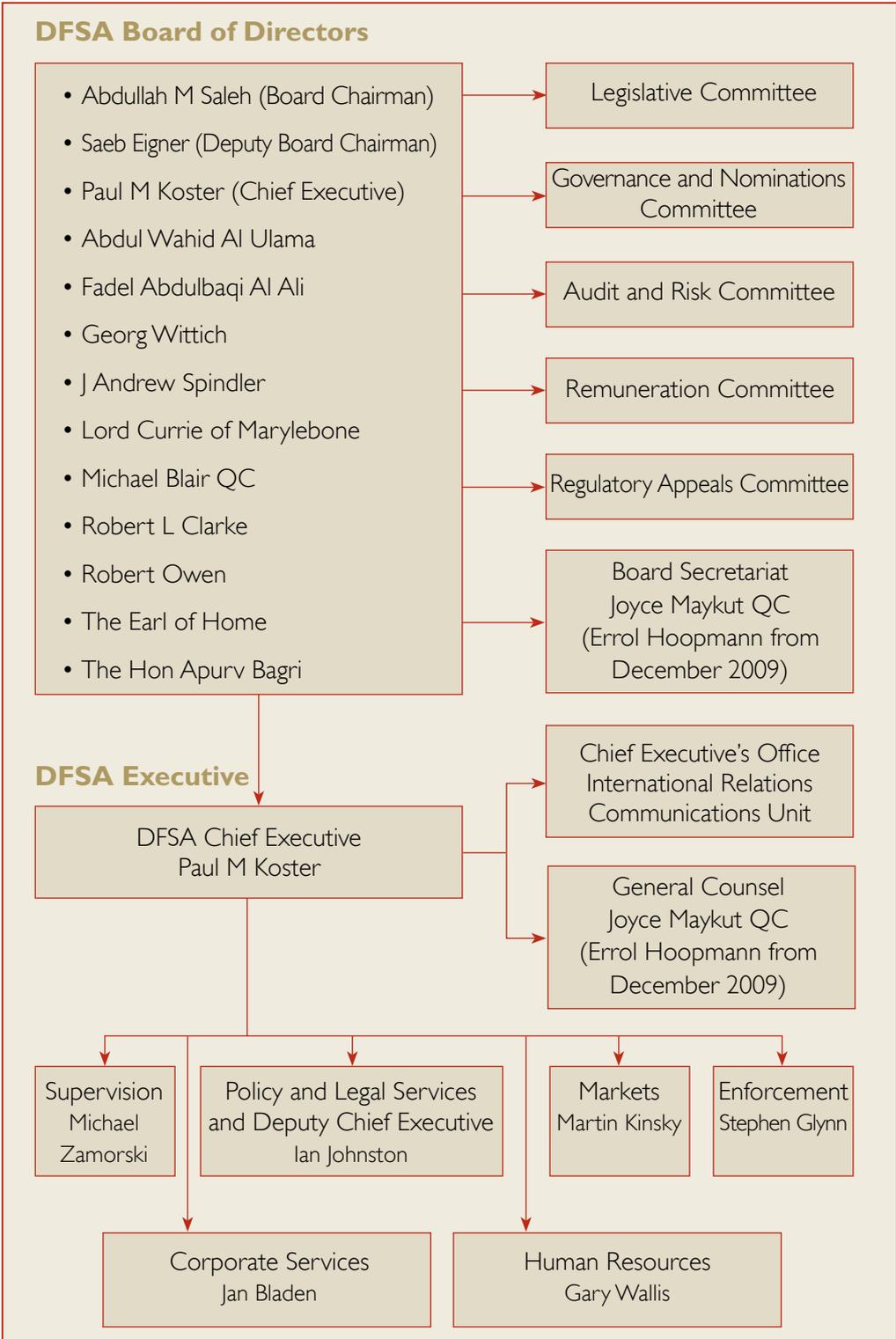


**Paul M Koster**  
**Chief Executive**

**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;
- 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 of Dubai 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:

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

The DFSA seeks membership of international organisations and contributes to their dialogue in areas such as securities regulation, anti-money laundering, compliance and Islamic finance regulation. This enables us to stay abreast of and implement international best practice within the region.

### **VALUES AND ETHICS**

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

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

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

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

## DFSA BOARD

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

The DFSA Board has a number of additional functions:

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

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

- Ensure that the DFSA exercises its statutory powers and performs its statutory functions in accordance with its objectives;
- Make policies relating to the regulation of financial services and related activities;
- Make provision for the consideration of adjudication 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.

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

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

The Board currently consists of 13 Board Directors and all but the Chief Executive are independent non-Executive Directors. The Board was supported by Joyce Maykut QC, acting as Secretary to the Board of Directors and General Counsel, until December 2009. Errol Hoopmann was appointed as her replacement in December 2009. The Board Secretariat manages and co-ordinates 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 4 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	7/7	-	-	-	-
Saeb Eigner	7/7	6/6	7/7	-	7/7
Paul M Koster	7/7	-	6/7	5/5	6/7
Abdul Wahid Al Ulama	7/7	-	-	5/5	-
Fadel Abdulbaqi Al Ali	6/7	6/6	-	-	6/7
Georg Wittich	7/7	6/6	-	5/5	-
J Andrew Spindler	7/7	6/6	7/7	-	7/7
Lord Currie of Marylebone	7/7	-	6/7	-	6/7
Michael Blair QC	7/7	-	-	5/5	-
Robert L Clarke	7/7	-	-	5/5	-
Robert Owen	7/7	-	-	5/5	7/7
The Earl of Home	7/7	6/6	7/7	-	-
The Hon Apurv Bagri	7/7	6/6	7/7	-	7/7

## 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 until 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 by the DFSA Board as its Deputy Chairman following the appointment of Mr Saleh as Chairman. Mr Eigner is the Founder and Chairman of Lonworld, a private finance, property and investment group. He is a Governor of London Business School, Founder and former 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 the early 1990's.

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 books "Sand to Silicon" and "Sand to Silicon-Going Global" and author of "Art of the Middle East". He holds and has held a number of senior Board appointments in the areas of banking, strategy, education, investment and culture.



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

Mr Koster previously served as Executive Vice President (Corporate Internal Audit) at Royal Philips Electronics (1998-2001); as Managing Partner Corporate Finance, Coopers & Lybrand (1988-1998); and as 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.

Mr Koster is a licensed Register (Chartered) Accountant having qualified through the Royal Dutch Institute of Chartered Accountants in 1977 and been certified RA in 1983.

In May 2009 Mr Koster joined the Advisory Board of Emirates Securities and Commodities Authority, the UAE's federal securities regulator, and in July 2009 also became a member to the Consultative Advisory Groups of the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants.



**Abdul Wahid Al Ulama** is the Executive Vice Chairman of Retailcorp World, the retail arm of Dubai World. He is also a Member of the Board of Directors for Dubai World and Vice Chairman of Dubai Natural Resources World. He is a non-Executive Member of the Board of Directors for Nakheel.

Prior to this, he served as Dubai World's Group Chief Legal Officer. He was also the Vice Chairman and interim CEO of Leisurecorp.

Prior to joining Dubai World, Mr Al Ulama was a Partner with Al Tamimi & Company Advocates & Legal Consultants in Dubai and the Managing Partner of their associate office in Qatar. Mr Al Ulama was a member of the Dubai International Financial Centre's Islamic Finance Advisory Council.

Mr Al Ulama graduated with a LLB Degree from the UAE University. He is a Chevening scholar who later obtained his LLM (Masters) from the University College London (UCL) specialising in International Trade and Maritime Law.



**Fadel Abdulbaqi Al Ali** is the Executive Chairman, Operations, for Dubai Holding, as well as being on the Executive Committee of Dubai Holding and several of its entities, including Jumeirah Group, Dubai International Capital. Mr Al Ali is also on the Board of Directors for Dubai Bourse, Dubai Bank and Bank Islam in Malaysia.

Mr Al Ali has considerable experience in the finance industry which included several years at Citibank before his move to Dubai Holding. Prior to this appointment, he was also on the board of the Dubai Mercantile Exchange (DME).

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



**Georg Wittich** has extensive regulatory experience with financial markets, in particular from a European perspective. He established the Bundesaufsichtsamt für den Wertpapierhandel (Federal Securities Supervisory Office) in Frankfurt and served as its President from 1994 to 2002. In 1998 Mr Wittich was elected Chairman of the Forum of European Securities Commissions which played a key role in developing common standards for European capital markets. In IOSCO, Mr Wittich was Vice-Chair of the Technical Committee and Chairman of the Internet Project Team. Prior to this, Mr Wittich held various senior posts in the Federal Ministry of Finance in Germany in the area of international finance and securities markets and he was Financial Counsellor at the German Embassy in Tokyo (1983 to 1987).

Mr Wittich graduated with law degrees from the University of Kiel and undertook additional studies at the Ecole Nationale d'Administration in Paris.



**J Andrew Spindler** is the President and CEO of the Financial Services Volunteer Corps (FSVC), a not-for-profit private-public partnership whose mission is to help build sound banking and financial systems in transition and emerging market countries. Prior to his appointment in 1993, Mr Spindler served as a Senior Vice President at the Federal Reserve Bank of New York, where he headed the Banking Studies and Analysis Function and Payments System Studies staff. While at the New York Fed, he helped develop the risk-based capital framework that has been adopted by bank supervisory authorities in most of the world's financial centres. He represented the New York Fed on the Basel Committee on Banking Supervision from 1991 to 1993. Prior to joining the New York Fed in 1985, Mr Spindler held several international lending and strategic planning positions at the Continental Illinois Bank. He served as a Fellow at The Brookings Institution from 1980 to 1983.

Mr Spindler has a PhD and MPA from Princeton University's Woodrow Wilson School of Public and International Affairs and a Bachelor's Degree in International Politics from Harvard University. He is a member of the Council on Foreign Relations, and the Bretton Woods Committee and the Foreign Policy Association.



**Lord Currie of Marylebone** has wide ranging experience in financial services, public administration and the education sector. In addition to serving on the board of the DFSA, he is Chairman of the International Centre for Financial Regulation and of Semperian Investment Partners. He is also a Board Member of the Royal Mail, BDO UK and the London Philharmonic Orchestra. He was the founding Chairman of Ofcom, the converged UK regulator for electronic communications from 2002 to 2009, and Dean of City University's Cass Business School in the City of London from 2001 to 2007. Formerly he was Deputy Dean at 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.



**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, and was until recently the President of the Guernsey Financial Services Tribunal and the Chairman, SWX Europe, the London arm of the Swiss Stock Exchange. He was the Master Treasurer of the Middle Temple, his Inn of Court, in its quartercentenary year 2008.

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



**Robert L Clarke** has extensive experience with banking laws and regulations and bank supervision, both in the United States and internationally. Mr Clarke founded the Financial Services Group at Bracewell & Giuliani, LLP in 1973. He was appointed by President Ronald Reagan as US Comptroller of the Currency and at the end of his first term was re-appointed by President George H W Bush. He served as Comptroller from 1985 to 1992 and during his tenure the agency supervised about 5,000 nationally chartered commercial banks. During that time he also served as a member of the Board of Directors of the Federal Deposit Insurance Corporation. In March 1992 he re-joined Bracewell & Giuliani LLP as Senior Partner and head of its financial services practice. Mr Clarke has served as a consultant and advisor to a number of countries on their bank supervisory operations.

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



**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 Limited, and Senior Adviser to Nomura International (Hong Kong) Limited, a Member of the Council and Regulatory Board of Lloyd's of London, Chairman of Techpacific Capital Limited, Chairman of IB Daiwa Limited, a Director of Sunday Communications Limited, European Capital Co Limited and various other companies and investment funds. He is currently a Director of Singapore Exchange Limited and of Citibank (Hong Kong) Limited, and of the International Securities Consultancy Limited. He is also Governor of Repton School in the UK and a Board Member of Repton School Dubai.

Mr Owen was educated at Repton School and Oxford University.



**The Earl of Home** has been Chairman of Coutts & Co since 1 June 1999 and became Chairman of Coutts Bank (Switzerland) Limited (now RBS Coutts), 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 Limited (now Deutsche Securities Limited) in 1972. He assumed responsibility for the International Division of the bank in 1983. He was then appointed to a number of other international positions at Morgan Grenfell, becoming a Director of Morgan Grenfell Group PLC in 1996 and Chairman of Deutsche Morgan Grenfell Group PLC in 1999.

Lord Home has held a number of non-Executive and public positions including Director of the Agricultural Mortgage Corporation PLC, between 1980 and 1993, Chairman of Man Limited (retired July 2009), President of the British Malaysian Society (appointed in 2001) and Chairman of the Committee for Middle East Trade (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.



**The Hon Apurv Bagri** is the Managing Director of the Metdist Group of Companies. The group is involved in international non-ferrous trade and industry. He is a past Chairman and current Board Member of the International Wrought Copper Council which represents the global copper fabricating industry and a Member of the Advisory Board of the UK-India Business Council. He is Chairman of the Royal Parks Board and a Trustee of the Royal Parks Foundation. He is also Deputy Chairman of the Governing Body of London Business School, a Commissioner of the Crown Estate Paving Commission and a Trustee of Asia House. He has recently been appointed Pro-Chancellor and Chair of Council of the City University, London and is a visiting Professor at Cass Business School. He is a past Chairman and current Board Member of TiE Inc, a global non-profit organisation that promotes entrepreneurship and wealth creation.

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

## DFSA BOARD COMMITTEES

### LEGISLATIVE COMMITTEE

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

- Michael Blair QC (Chairman)
- Robert L Clarke
- Abdul Wahid Al Ulama
- Robert Owen
- Georg Wittich
- Paul M Koster
- Joyce Maykut QC - Errol Hoopmann from December 2009.
- Ian Johnston
- Ermanno Pascutto (External Committee Member)

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

### AUDIT AND RISK COMMITTEE

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the processes for identifying, evaluating and managing the DFSA's principal risks impacting financial reporting. Neither the Chairman nor 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)
- The Hon Apurv Bagri
- Saeb Eigner

- J Andrew Spindler
- Georg Wittich
- Fadel Abdulbaqi Al Ali
- R Douglas Dowie (External Committee Member)

**R Douglas Dowie** is a Board Member and Senior Advisor to the Board of Emirates NBD PJSC. He is a Director of NBD Trust Company (Jersey) Limited, Al Khaliji Bank (Qatar) and MARSH INSCO (UAE) and an independent non-Executive Director of the British Arab Commercial Bank (UK). He is a Member of the University Council of the British University in Dubai and of the DIFC Banking Advisory Council.

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 programme 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
- J Andrew Spindler
- Paul M Koster

## **REMUNERATION COMMITTEE**

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

- J Andrew Spindler (Chairman)
- The Hon Apurv Bagri
- Lord Currie of Marylebone

- Saeb Eigner
- Fadel Abdulbaqi Al Ali
- Robert Owen
- Paul M Koster

### **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 Courts by way of judicial review on a point of law. RAC members are:

- Robert Owen (Chairman)
- Michael Blair QC
- Robert L Clarke
- Georg Wittich
- Abdul Wahid Al Ulama
- R 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)

**R Douglas Dowie:** *Refer to page 27 for corporate biography.*

**Jayshree Gupta** is a dual-qualified solicitor (England and India) and has spent over 14 years practising in the UAE. Formerly the managing partner of the Dubai office of DLA Piper, Jayshree 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. She 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 she has 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 she was the head of the corporate and commercial group at a leading international law firm with an established Middle Eastern presence. She pioneered and headed up the Dubai Internet City office for her previous firm.

She has been actively involved in writing articles for, 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.

Jayshree was featured on the cover of the international edition of The American Lawyer magazine in October 2006. In September 2008 she was appointed, in her personal capacity, to the Regulatory Appeals Committee. In December 2008, she was awarded Young Achiever in Business in the first ever Middle East Lifestyle Awards held by Masala magazine which recognised the contribution of Asians in the Middle East.

**Nada Khneisser Zarka** is a lawyer and current Chief Legal Counsel at Al Mal Capital. She has 21 years of experience encompassing banking, civil, commercial and corporate laws in UAE, GCC countries and the Middle East. She started practising 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 1998 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 matters ranging from legal to regulatory perspective. Ms Zarka was 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 practises from the Washington DC and Los Angeles offices. His practice involves complex regulatory matters, governance, financings, mergers and acquisitions and investigations involving regulated financial institutions. He served as General Counsel of the US Federal Deposit Insurance Corporation (FDIC) from 1995 to 2006 and served on the FDIC's Supervisory Appeals Committee from its inception until his departure from government service. Prior to his FDIC service, he practised law in New York City and Washington DC, specialising in banks and other regulated financial institutions, and also served on the Board and headed the examining and audit committee of a New York bank. He speaks and writes regularly on financial regulatory topics and has taught as an adjunct professor at Stanford, George Washington and American University law schools. He has also been active in the banking and financial services committees of the American, City of New York, New York State and Federal Bar associations and in the American Law Institute. He is listed as a leading lawyer in Banking Law in White's Best Lawyers in America. Mr Kroener received JD and MBA degrees from Stanford and bachelor's degree from Yale.

**Ermanno Pascutto:** *Refer to page 26 for corporate biography.*

### **FINANCIAL MARKETS TRIBUNAL**

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

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

#### **FMT members are:**

- Stewart Boyd CBE QC (President)
- 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 Davis Polk & Wardwell LLP, and practises from the firm's New York office. He served as General Counsel of the Federal Deposit Insurance Corporation from 1987 to 1989 during the previous banking crisis in the United States, and has been

involved in most of the significant failed and failing bank transactions during the current crisis. He is a Member of the Board of Directors of the FSVC, 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** practises as a barrister and international chartered arbitrator in Melbourne and also at Essex Court Chambers, London. He was Solicitor-General of Australia from 1984 to 1997. He has had various international appointments, including Leader of Australia's Delegation, and sometime Vice-Chairman, of the UN International Trade Law Commission (UNCITRAL) including in sessions for the adoption of UNCITRAL Model Law of International Commercial Arbitration at Vienna in 1985.

Amongst other appointments he was Leader of the Australian Delegation to The Hague Conference on Private International Law (1992 to 1998), Member and sometime Chairman of 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 practises substantially as Counsel and as Chairman or Member of international tribunals, including those administered by the Permanent Court of Arbitration, ICSID, LCIA (London), ICC (Paris) and other administered and non-administered arbitrations.

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

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



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 & Giuliani 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.

## DFSA EXECUTIVE

### **Paul M Koster - Chief Executive**

*Refer to section on Board of Directors, page 21.*



**Joyce Maykut QC** - was appointed as General Counsel of the DFSA in January 2004 and retired in December of 2009, after a 30 year legal career in the public and private sector in Canada. 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.



**Errol Hoopmann - General Counsel and Secretary to the Board**, joined the DFSA in 2003 and is the DFSA's senior legal adviser heading up the Board Secretariat.

Prior to taking this position, Errol was Director, Legal Services with primary responsibility for managing legal service delivery in the DFSA, including advising and legislative drafting. He has also held previous DFSA directorship roles in relation to enforcement and policy formulation.

Before joining the DFSA in 2003, Errol was a Principal Lawyer of the Australian Securities and Investments Commission (ASIC) where he was responsible for the conduct of major enforcement activities. In 2001 and 2002, he was responsible for co-ordinating ASIC's response to the HIH Royal Commission which inquired into the largest collapse of a financial services institution in Australia's history.

Errol holds a Bachelor of Law and Graduate Certificate in Business Management. He is a Solicitor of the Supreme Court of Queensland and of the High Court of Australia.



**Ian Johnston - Deputy Chief Executive and Managing Director, Policy and Legal Services**, is an experienced international regulator who joined the DFSA in November 2006. Ian was admitted to practise Law in Australia in the early 1980's and spent most of his career in the private sector. He held a number of senior positions within the AXA Group and was CEO of one of Australia's major Trustee Companies.

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 past Chairman of the Joint Forum, which comprises representatives of the major international regulatory standard-setters (IOSCO, Basel Committee and the IAIS. He is a member of the Technical Committee of the IAIS.



**Michael Zamorski - Managing Director, Supervision**, has 33 years experience in financial institution supervision. He 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 was appointed to the newly established Basel Consultative Group in 2009. 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. In 2008, he was appointed to a five-year term as a Board Member of the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions, an international standard setter in Islamic accounting matters.

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 capital markets in the DIFC, particularly NASDAQ Dubai, the Dubai Mercantile Exchange (DME) and any other exchanges or clearing houses 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 and Head of Enforcement**, joined the DFSA in January 2005. He 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 the NASDAQ Dubai and Dubai Mercantile Exchange, and Reporting Entities that list their products and make offers of securities in the DIFC.

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

He is a forensic financial analyst and a former member of the Investigations Committee of the National Council of Certified Practising Accountants (CPA) Australia.

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

Stephen has both Bachelors and Master degrees from Australian Universities.



**Jan Bladen - Chief Operating Officer**, joined the DFSA in 2005. Prior to the DFSA, Jan spent seven years with PricewaterhouseCoopers (PwC) in both Geneva and Dubai as a member of the Global Risk Management Practice. His professional experience with PwC focused on strategic business consulting, operational risk management / ERM / Basel II, new methodology development, and included international mandates spanning over 37 countries from 1998 to 2009.

Jan is a regular Key Note speaker on the subjects of Corporate Governance and Risk Management and was one of PwC's lead experts on Enterprise Risk Management. He was seconded from PwC Geneva to PwC Dubai to lead the development of Risk Management Services for the Middle East. Hands-on, with a strong action and objective-orientated approach, Jan is able to perform under pressure and, with cross border communication skills, can effectively manage inter-cultural issues.

Jan previously held managerial positions in European companies and spent three years as a management consultant with legacy McKinsey Partners, Value Management Group. His experience includes the evaluation of venture capital investment opportunities and business plan / private placement memorandum conception.

From 1998 to 2003 Jan was elected President of Executives International in Switzerland. In 2000, Jan was nominated to the Committee of the British Swiss Chamber of Commerce. In 2008, Jan was admitted to the Institute of Directors (IOD), having successfully passed the IOD's Director Development Programme. In 2009, Jan was nominated as a non-Executive Director and Governor to the Board of Governors of Abbotsholme, a leading private boarding school in England.



**Gary Wallis - Head of Human Resources**, joined the DFSA in 2006. Gary has over 30 years experience in Human Resources, including ten years in the United Arab Emirates. Gary has extensive experience 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. Gary 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 Chartered Fellow of the Chartered Institute of Personnel Development.

**WHAT WE DO**



## DFSA REGULATORY STRUCTURE

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

**The Policy and Legal Services Division** is responsible for policy advice and formulation, providing in-house regulatory legal advice and support to operating Divisions of the DFSA and managing the business of the Policy and Rules and Waivers Committees. It is also responsible for developing and maintaining the DFSA Laws and Rules, for which the DFSA is responsible, and for consulting with the Dubai International Financial Centre Authority (DIFCA) on other DIFC legislation. The Division is also responsible for providing economic analysis and reporting. This analysis aids the Supervision and Markets teams in their understanding and monitoring of market conditions.

**The Supervision and Authorisation Divisions** were merged into a single Division during early 2009. The Supervision Division's primary responsibility is to assess, monitor and mitigate risk in Authorised Firms (AF's) and Ancillary Service Providers (ASPs) and Registered Auditors (RA). Stringent review of proposed new entrants occurs during the licensing process and continuing vigilance is maintained through inspections, supplemented by off-site surveillance. Firms' proper conduct of business, financial health and adherence to laws, regulations and prudential standards are assessed by a team of experienced regulators. Timely remedial action is instituted to address weaknesses, objectionable practices or adverse conditions identified by our supervisory activities.

Similar to other respected jurisdictions, the DFSA's Supervision Division conducts a thorough analysis of new licence applications. The licensing process embodies a multi-tiered review process that ensures proper screening and checks and balances in decision-making. The competence, integrity, financial resources and track record of proposed controlling owners, the Board and Executive occurs through comprehensive background checks. Applicants' proposed business plans, strategies and financial projections are subject to critical review to determine that the overall risk posed is acceptable.

**The Markets Division** is responsible for the licensing and ongoing supervision of exchanges and clearing houses based in the DIFC. It also recognises licensed entities seeking Recognition status, either to operate as exchanges in the DIFC as well as members of exchanges located in the DIFC. It also regulates the offers of securities in or from the DIFC and supervises Reporting Entities by monitoring their ongoing market disclosures and compliance with DFSA Rules. It contributes to policy development and Rule changes, particularly those relating to its supervisory portfolio.

**The Enforcement Division** enforces the Laws and Rules of the DIFC administered by DFSA. The Division takes action in circumstances where misconduct may cause damage to the DIFC's reputation or to the financial services industry in the DIFC. A wide range of enforcement powers are available to the Division. The DFSA may accept enforceable undertakings, impose fines or censures, take licensing action or commence proceedings in the Financial Markets Tribunal or the DIFC Courts. The Division also proactively tries

to prevent misconduct through education and outreach programmes. The Enforcement Division frequently provides assistance to other international regulators, and takes every opportunity to work closely with local regulators.

**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 co-ordinates all corporate secretary functions for the Board and each of its Committees. Until December 2009, the Office of General Counsel was also responsible for leading and co-ordinating the DFSA's role in all international matters and co-operative efforts with regional and international enforcement agencies and regulatory counterparts. This function, entitled International Relations, reports into the Chief Executive effective from December 2009. (*Refer to the DFSA Governance Model on page 15*)

**The Corporate Services Division** is responsible for the backbone and infrastructure requirements for the DFSA. Some of the key areas of scope and responsibility of the Division include;

- (a) Administration
- (b) All Finance Functions
- (c) Annual Budgeting
- (d) Business Continuity Planning
- (e) Business Process Re-engineering
- (f) Corporate Business Planning
- (g) External Audit
- (h) Health and Safety
- (i) Information Technology (IT)
- (j) Internal Audit
- (k) Office Management
- (l) Project Management
- (m) Risk Management

The four principal Departments within the Corporate Services and Operations Division include; (1) Projects and Risk Management (2) Information Technology (3) Office Administration and (4) Finance.

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

## KEY DFSA-WIDE INITIATIVES

### ISLAMIC FINANCE

Islamic finance is an important area of focus for the DFSA, and during the year we significantly upgraded our activity. We became full members of the Islamic Financial Services Board and participated in several working groups, including those on Shari'a Governance, Conduct of Business and Solvency Requirements for Takaful Operators. In November, the Chief Executive gave the 3rd IFSB Public Lecture, and we participated as speakers in numerous other public events, both regionally and internationally.

In addition, the DFSA remained an active Member of the Accounting and Auditing Organisation for Islamic Financial Institutions, especially as a Member of its Accounting and Auditing Standards Board. We consulted on proposals to restructure our Rulebook to make it more convenient and accessible to Firms undertaking Islamic finance, and participated with our DIFCA colleagues in several other initiatives, including the production of a Sukuk Guidebook and development of an educational initiative.

Finally, and in response to the published report on our Collective Investment Funds (CIF) regime by a panel of market practitioners, we are currently considering where our Shari'a Governance requirements can be streamlined, especially by the removal of areas of duplication.

### MARKET PRACTITIONER PANEL

#### **Review of the DIFC Funds Regime: Market Practitioner Panel Report**

In response to many regulatory initiatives taking shape globally in the aftermath of the recent financial crisis, the DFSA decided to undertake a review of its Collective Investment Funds regime in mid 2009.

It invited a panel of leading industry experts (Market Practitioner Panel) to highlight what modifications and improvements were needed to make the DIFC's funds regime more attractive to both the funds industry and investors.

The Market Practitioner Panel comprised a wide spectrum of funds industry participants in the DIFC, including fund managers, fund administrators, asset managers and their legal, accounting and tax advisers.

The Panel was established in July and produced its report at the end of September proposing what it saw as comprehensive and pragmatic solutions to ten key issues that were identified as impeding the growth of the funds industry in the DIFC. These included proposals to remove the current prohibition on Firms in the DIFC operating funds in other jurisdictions, and vice versa; to establish a new Exempt Funds regime for funds aimed at a small number of large and experienced investors, to streamline the arrangements for oversight and Shari'a governance, and to address issues of cost. The DFSA released the Panel report for public consultation in October, and the consultation period closed on 5 December 2009.

The DFSA expects to bring forward detailed proposals for changes to Laws and Rules in early 2010.

### **RISK-BASED REGULATION**

In 2008, the DFSA reported on the major risk-based regulation project which we launched in that year. In 2009, we brought that project to completion, with the roll-out of a new risk matrix used in all our assessments of Authorised Firms, upgrades to our supporting IT systems, and the introduction of better management reporting, most notably through a quarterly risk dashboard.

Although the project itself has been completed, the systems to deliver more risk-focused regulation have been embedded within our normal business processes. As well as those already mentioned, they include regular reviews of our Rules and processes to ensure that they remain aligned with risk.

In 2009, these reviews led to the introduction of much simpler authorisation forms, and to changes in our definitions of investments. Further reviews have been conducted or begun, and will be brought to fruition in 2010.

### **KEY REGIONAL RELATIONS**

In addition to its enhanced engagement with the international standard setting bodies, the DFSA gave priority in 2009 to regional co-operation and interaction. Two Memoranda of particular significance were those signed with the UAE Central Bank and the Anti-Money Laundering Suspicious Cases Unit of the Central Bank in February, which have led to closer interaction at the most senior level between the DFSA and the Central Bank. The DFSA is also now represented on the National Anti-Money Laundering Committee (NAMLC) which meets periodically in Abu Dhabi.

In May, the Chief Executive was invited to join the Advisory Board of the Emirates Securities and Commodities Authority which met in Abu Dhabi in November. At an operational officer level there were also regular meetings throughout the year between the DFSA and SCA. During the year, with a view to strengthening regional ties, the Chief Executive also met with the Governors of the Central Banks of Bahrain and of Jordan, the Governor of the Saudi Arabian Monetary Authority and the Executive President of the Capital Market Authority of Oman.

### **INTERNATIONAL RELATIONS**

Within IOSCO, the DFSA participated in the work of its regional forum, the Africa and Middle East Regional Committee (AMERC), attending its annual meeting in Muscat in March and providing a speaker at its Regional Training Seminar in Abuja in December.

The DFSA also hosted a meeting, in early December, of IOSCO's Implementation Taskforce, which is reviewing the principles for securities regulation and the methodology for assessing their adoption.

Discussions have been initiated on bi-lateral MoU's with the Qatar Financial Centre Regulatory Authority (QFCRA) and the Securities Commission, Jordan and a revised MoU with the newly integrated Egyptian Financial Supervisory Authority. Strong and enduring relationships with fellow regulators are an essential element of effective supervision and healthy markets and these will remain a priority for the DFSA in 2010.

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

2009 meant new initiatives, new approaches and new people.

In January the TRL Programme welcomed a new Dean, Emmanuel Givanakis, who began a thorough review of the TRL Curriculum ensuring that materials are current and reflect recent changes in the DFSA's operations and regulations, and most importantly deliver the learning objectives of the Programme.

In March, details were finalised to incorporate new content to the TRL Programme and another Department, International Relations, joined Policy and Legal Services, Markets, Supervision and Enforcement to provide coaching to the Associates.

In May, the TRL team initiated the search to find TRL secondment partners to participate in the new 2009 Programme structure which now includes a 4 month secondment to a DIFC-based Authorised Firm or Ancillary Service Provider. The goal of these secondments is for each Associate to gain valuable commercial work experience and a new perspective from our stakeholders. This led to TRL Associates having successful placements with: Latham & Watkins LLP; Alpen Capital and Sarasin-Alpen Bank; HSBC Global Markets and Bank of New York Mellon.

In August, the fourth and latest intake joined the DFSA after several months of the recruitment drive. This year the DFSA recruited from Middlesex University, the American University in Dubai and Zayed University.

In September, the DFSA Board of Directors commenced a new initiative to have direct involvement in the Programme. Both J Andrew Spindler and the Hon Apurv Bagri met with the Associates discussing the lessons of the current financial crisis on the risk management of banks globally and the development of the global metals markets respectively. At the end of the month three of our TRL Associates were promoted to Manager positions in our regulatory Divisions and were officially welcomed into their new roles in the DFSA at the Annual TRL Awards ceremony. Contributions from all the TRL coaches and trainers were also recognised at this event.

## 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 Laws and Rules.

#### **Risk-Based Review of the Rulebook**

Over the past year we conducted a module by module review of the DFSA Rulebook to ensure our requirements reflect risks to our statutory objectives. In some cases this has led to change to our requirements and processes which make it easier for Firms to do business. Our changes to the definitions of Investments is an example of this, as is our revision to our authorisation processes. In other cases our requirements have been tightened in response to market conditions and practices. An example of this is our changed Rules on client asset protections. These changes prevent abuses of the type seen in some high profile scams in the US and other places.

We also introduced changes to our requirements for Compliance Officers, setting out circumstances in which it may be possible for a Compliance Officer to be non-resident.

#### **Policy Analysis and Development**

A strategic theme for the DFSA, this year, has been to enhance its participation in international standard-setting work of such bodies as IOSCO, the Basel Committee and the IAIS. We believe it is important to have a voice in the development of international standards as, following the financial crisis, the work of the standard-setting bodies will strongly influence national regulation. Our work in this area is co-ordinated by the Director of International Relations. The Policy and Legal team has strongly supported this work by analysing and commenting on a number of consultation papers. We have also provided resources to the work of the standard-setters through their various committees and working groups.

An important development in 2009 was our increased analysis of economic and financial sector trends. The economic analysis and commentary has allowed us to produce an ongoing 'dashboard' of risks. This, and the wider analysis and reporting, is used by our Supervision and Markets colleagues in their monitoring of market conditions.

## SUPERVISION

The primary means of oversight and surveillance of our Firms and ASPs remains on-site reviews at regular intervals conducted by experienced financial supervisors. On-site risk assessments are supplemented by off-site Firm surveillance via analysis of reports of Firm financial condition required to be submitted quarterly. During 2009, the Supervision Division conducted 135 on-site risk assessments, compared to 97 for 2008. The increase in our on-site presence to assess risk was actually much greater, given the activities of our newly created Special Surveillance Unit, discussed on page 46.

On-site activity encompasses a review of Firm records, interviews with Firm management and staff, and transaction testing. The scope of the review is determined by factors such as a Firm's size, complexity, product offerings, client base, business model and track record with the DFSA. Specific matters subject to review and assessment include the overall level of risk, the adequacy of capital, corporate governance, the quality of executive management, internal audit controls, proper conduct of business and compliance with applicable Laws and Regulations. Particular focus is placed on ensuring compliance with our Rules and controls related to the prevention of money laundering and terrorist financing, as discussed in more detail later.

The results of our on-site inspections are discussed with management and, after secondary review, are communicated in writing to the Firm's executives and Board or other appropriate oversight body. The vast majority of inspections reflect satisfactory practices and condition. Matters of supervisory concern are generally minor and correctable in the ordinary course of business.

Occasionally, we encounter practices or conditions that evidence elevated risk and supervisory concern. The relative severity of the situation and the Firm management's willingness and ability to remedy matters of concern informs our supervisory response. Typically, Firms posing elevated risk and/or supervisory concerns agree to a risk mitigation programme with the DFSA in which they commit to undertake specific remedial actions by specified dates.

For Firms that pose more severe concerns, such as failure to meet minimum capital requirements, a more formal corrective programme may be imposed. The DFSA has a full range of powers to mitigate unsatisfactory practices or conditions, including restricting business, mandating specific corrective actions and ultimately, revocation of licence.

Supervision Division, with the assistance of the Institute of Chartered Accountants of England and Wales, conducts on-site reviews of Registered Auditor Firms as part of its oversight programme for Registered Auditors.

### **Special Surveillance Unit**

The Special Surveillance Unit was established in 2009 in order to co-ordinate and lead the Supervision Division thematic reviews.

### **Thematic Reviews**

Our on-site assessment of individual Firms is supplemented by a programme of thematic reviews. Various Firm risk areas are reviewed through on-site special purpose visits. During 2009, 72 on-site reviews were conducted under this programme (in addition to the 135 regular on-site assessments) for the following risk areas, with the parenthetically indicated number of entities assessed: Suitability and Fair Treatment of Customers (21), Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) (15), Outsourcing of Functions (15) and Customer Due Diligence and Compliance with United Nations (UN) Security Council sanctions and resolutions (21).

Upon conclusion of a thematic review, we typically publish a "Dear SEO" letter which summarises the results of the review. This assists other Firms, who were not part of the selected sample, in assessing the adequacy of their own operations.

### **Registered Auditors**

Supervision Division, with the assistance of the Institute of Chartered Accountants of England and Wales, conducted on-site reviews of Registered Auditors as part of its oversight programme for Registered Auditors.

### **Regulatory Relationships and Co-operation**

Many entities licensed by the DFSA 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 in place, including with the UK's Financial Services Authority, the UAE Central Bank and the Emirates Securities and Commodities Authority, 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.

Under international protocols, the regulators of the world's larger financial groups have established "Supervisory Colleges" to facilitate regulatory information sharing. Under these arrangements, the home country supervisor, as the lead regulator, holds periodic meetings at which home and host regulators share relevant information. The DFSA is an active participant in several Supervisory Colleges for large global players that have a DFSA-licensed entity.

### **Licence Variations**

There continues to be an increase in Firms varying their scope of licence with 20 variations generated during 2009. Many Firms continue 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.

## **Enhancements to Supervisory Processes**

We are committed to continuous improvements in ensuring the effectiveness and efficiency of our supervisory processes. In that regard, we implemented the following changes in 2009:

- Integration of licensing and ongoing supervision to enhance the effectiveness and efficiency of our regulatory oversight;
- Introduction of the Supervision and Authorisation Advisory Committee which provides a common forum for licensing and risk assessment recommendations;
- Implementation of a new suite of licensing forms to reflect the new risk matrix;
- Implementation of an enhanced risk assessment process;
- Introduction of an Annual Controls Questionnaire. The questionnaire asks for a self-evaluation in aspects of management and control within Category 4 Firms that the DFSA views as critical. As such, the questionnaire will assist a Firm to identify actions that it may need to take to meet regulatory requirements and will assist the DFSA in prioritising on-site risk assessments;
- Increased thematic reviews focusing on various issues across a range of Firms and ASPs
- Use of transaction testing visits to provide high intensity supervision for specific Firms;
- Supervisory co-operation with the Central Bank of the UAE through periodic meetings;
- Introduction of a supervision/policy register to capture issues that may require an amendment to DFSA administered Laws and/or Rules; and
- Change of Division structure to 4 supervisory teams; 3 involved in ongoing supervision (one with the additional responsibility for licensing), and the introduction of a Special Surveillance Unit.

## **Outreach**

The Supervision Division continues to focus on engaging with stakeholders through various initiatives including Outreach sessions and speeches. The topic for discussions included AML/CTF, Islamic Finance, Operational risk and regulatory updates for the Compliance Officers Network Group (CONG) in 2009.

### **Anti-Money Laundering, Counter Terrorist Financing 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 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 International Monetary Fund (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 DIFC tends overall to be relatively close to the FATF standards." 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 (KYC) and Suspicious Transaction Reporting (STR) 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** - Compliance with UN Sanctions is an integral part of the DFSA's supervisory processes for all regulated entities. 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.

**Suspicious Transactions Reports** - 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 authorities and counterparts in other countries. In 2009, 28 STR's were filed by regulated entities with the AMLSCU. This was a significant increase over prior years. The increase is a result of increasing activity by Authorised Firms, increased awareness through outreach and training sessions, and continuous supervision in this area.

**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. Internal training sessions with DFSA staff and international regulated entities are conducted throughout the year. The DFSA encourages and supports staff members to obtain certificates as AML specialists. DFSA Executives were further engaged as speakers at several conferences and seminars related to compliance, financial crime and AML/CTF issues locally and internationally.

## **Other Matters**

As part of the DFSA's TRL Programme, the Supervision Division provided substantial training and coaching to our Emirati Associates on all aspects of our Supervision 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 2009 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 2009 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.

## **Licensing**

We implemented a new suite of application forms in 2009. The forms focus on risk and are aligned to the DFSA risk tolerance. We also introduced a notes booklet for applicants which provides helpful information for applicants. The forms have been well received by applicants and their advisers.

We have implemented the new risk assessment matrix in assessing applications. In response to market developments, we have heightened our due diligence in relation to business viability, financial projections and competence and capability of the senior management.

This enhanced due diligence may mean we have taken longer to process applications in 2009. However, our paramount aim is to make the right regulatory decision.

The nature of applications received has evolved with more applicants originating from the Gulf Co-operation Council (GCC) countries and being start-up in nature.

## **Overview of 2009 Licensing Activity**

Authorised Firms: 46 companies were granted licenses during 2009 versus 81 in 2008.

Registered ASPs: 10 companies were granted licenses during 2009 versus 13 in 2008.

Authorised Individuals: 469 Individuals were approved to perform one or more licensed functions during 2009 versus 393 in 2008.

## **MARKETS**

The Markets Division provided feedback on proposed policy changes which were under consideration by NASDAQ Dubai for inclusion in its Listing Rules.

It also completed its policy review of the Offered Securities Rules. This review was designed to make recommendations to update those Rules to recognise regulatory developments in peer jurisdictions and enhance the regulatory framework applicable

to the issue of securities and the ongoing obligations of Reporting Entities, including corporate governance. It is anticipated that recommended amendments will be consulted upon and enacted in 2010.

Markets Division engaged with NASDAQ Dubai and the Dubai Mercantile Exchange (DME) regarding the recognition of new members from jurisdictions outside of the DIFC.

Markets Division contributed to the release of DFSA Consultation Paper 62. This paper proposed changes to the Markets Law in relation to the powers of the DFSA to maintain an Official List of Securities for an Authorised Market Institution (AMI) thereby correcting a lacuna in that Law.

Markets Division also engaged with representatives of exchanges in the Nordic region to compare the regulatory requirements of the two regions, so that Nordic companies wishing to list on NASDAQ Dubai may now follow agreed procedures relating to their compliance with DFSA requirements. A similar exercise has also been undertaken with the Malaysian regulator.

**Exchange Supervision** - Due to increased market activity on NASDAQ Dubai and DME in 2009, and the wider acceptance of the products traded on those exchanges, the Markets Division completed a number of operational reviews of these exchanges relating to compliance with certain AMI requirements. These reviews included inspection of compliance records, interviews of staff and analysis of their operational policies and procedures.

**Reporting Entity Supervision** - The Markets Division also continued to monitor the disclosures of Reporting Entities (primarily equity and debt) and actively engaged with them to ensure appropriate disclosures were made. To date, there are 37 Reporting Entities (a slight reduction from 41 last year). Those entities which have listed equity securities are based in Australia (1), United States (3), Switzerland (1), South Africa (1), Bahrain (1), Jordan (1), Cayman Islands (1), Canada (1) and India (1). Three Reporting Entities (all from Australia) delisted from NASDAQ Dubai in 2009.

**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 NYSE LIFFE US LLC to provide direct access to its futures markets in the United States by Firms operating within the DIFC.

Recognised Members are members of an AMI who have no physical presence in the DIFC. The Markets Division recognised 6 applications from Firms seeking membership on NASDAQ Dubai, including 4 further Recognised Members located within the UAE. The Division also recognised one application from a Firm seeking membership on the DME.

Market conditions resulted in some reorganisation of the corporate structure and withdrawal of recognition by some participants so that there are now 24 Recognised Members on NASDAQ Dubai and 65 Recognised Members on DME.

The Markets Division continued to develop closer links with international and UAE regulatory agencies, particularly the Emirates Securities and Commodities Authority. The Division contributed to IOSCO working groups and a reconvened IOSCO taskforce on commodities derivatives.

## **ENFORCEMENT**

Enforcing proper standards within the DIFC remains the cornerstone of the DFSA's regulatory objectives. The Enforcement Division continued to enforce proper standards by:

- Taking action against Firms and Individuals who failed to maintain the standards expected of them;
- Investigating allegations of misconduct;
- Providing assistance to local and overseas regulators; and
- Dealing with allegations of misconduct.

The standards by which others are assessed and the tools used by the DFSA to enforce those standards were reviewed by the Enforcement Division. This ensures, also, that they remained effective and equivalent to comparable international jurisdictions. To achieve this objective the Division conducted a review of the DFSA's enforcement framework in 2009. The review found that the framework was in good shape but some minor amendments were recommended to our Rules and guidance to rectify ambiguity and to provide clarity in their application.

### **Action**

The DFSA's action in respect of the GFS Investments investigation, mentioned in the 2008 Annual Report, continued into 2009. The DFSA persisted in enforcing compliance with Enforceable Undertakings which the DFSA had entered into with GFS Investments, its Authorised Individuals and several of its employees. The Division initiated proceedings in the DIFC Courts to enforce compliance with a condition of an Enforceable Undertaking. Those proceedings are ongoing.

### **Investigations**

The DFSA commenced 9 investigations this year. The investigations covered a range of alleged misconduct including:

- Breaches by Directors of their duties to companies and shareholders;
- Providing unlicensed financial services in the DIFC;
- Insider trading and market manipulation;
- Breaches of licence conditions; and
- Providing false and misleading information to the DFSA.

Not every investigation commenced by the DFSA results in the DFSA taking action

against a Firm or Individual concerned. The DFSA considers that an investigation which results in no further enforcement action is an effective outcome in circumstances where a Firm rehabilitates itself by, for example, integrating enhanced systems and controls into its business practices.

A DFSA investigation which results in no further enforcement action will also almost certainly result in the Firm or Individual concerned being the subject of a higher level of supervisory scrutiny.

### **Investigative Assistance**

The effectiveness of the Enforcement Division is enhanced through its relationships with key stakeholders. The Division continued to liaise and provide enforcement related assistance to both regional and international regulatory agencies including the:

- Australian Securities and Investments Commission
- Cayman Islands Monetary Authority
- Emirates Securities and Commodities Authority
- Japan Financial Services Agency
- Mexican Comisión Nacional Bancaria y De Valores
- Monetary Authority of Singapore
- Netherlands Authority for the Financial Markets
- United Arab Emirates Central Bank
- United Kingdom Financial Services Authority
- United States Commodity Futures Trading Commission
- United States Securities and Exchange Commission
- Serious Fraud Office (UK)

The Division received, and made, 16 requests for assistance. Requests from and to its fellow regulatory agencies. The Requests were made in accordance with bi-lateral MoU's and the IOSCO multi-lateral MoU.

The Division also extended its outreach to a number of key regional and international organisations. Importantly, the Division continued to enjoy a strong working relationship with our UAE co-regulators.

### **Complaints**

Consumer complaints are a critical source of information in an effective regulatory framework.

In 2008, the Division launched an e-portal through which consumers of financial products and services could make online complaints to the DFSA. The effectiveness of the e-portal was such that the DFSA received 83 complaints in 2009. The information provided through the e-portal is captured and tracked on a confidential database, which allows the DFSA to analyse and monitor trends and identify potential risks to the DFSA and the DIFC.

In 2009 the DFSA marketed its complaints portal by a published brochure entitled "Complaints" which is a guide for consumers on how to make a complaint to the DFSA.

### **Enforcement Review Project**

The Enforcement Review Project carried out an analysis of the DFSA's current administrative and civil remedies, contravention provisions and investigative powers (the Enforcement Framework). The Project also compared the Enforcement Framework with those of other regulators by way of a benchmarking exercise.

The project, now complete, found the Enforcement Framework to be robust although the review team made minor recommendations to enhance its effectiveness. The recommendations will be implemented in the first quarter 2010.

### **Outreach**

The Division played a leading role in the development and delivery of a training programme sponsored by IOSCO in Madrid in late 2009. The conference focused upon enhancing the knowledge of IOSCO members from emerging markets in respect of the investigation of insider trading and market manipulation. Over 60 delegates from emerging markets participated in the conference.

### **OFFICE OF GENERAL COUNSEL**

2009 was, for the most part, business as usual in terms of the General Counsel advising the Board of Directors, its Committees and the Executive on governance and legal matters affecting the DFSA. To underscore the importance of complying with the DFSA Code of Values and Ethics and the DFSA's zero tolerance of ethical breaches, the General Counsel introduced bi-annual mandatory awareness sessions for all employees about their obligations and the DFSA's expectations. An online process for receiving and dealing with stakeholder complaints against the DFSA and its employees was introduced as well as an online process for making requests to the DFSA for personal data under the provisions of the DIFC Data Protection Law. The General Counsel will remain responsible for dealing with both the complaints against the DFSA and requests for personal data.

### **INTERNATIONAL RELATIONS**

Co-operation and information sharing with fellow regulators remains critical in the current environment for an international centre such as the DIFC. The DFSA continues to build upon its network of bi-lateral and multi-lateral MoU's, which now stand at 89.

In terms of multi-lateral initiatives, the DFSA is a signatory to two multi-lateral MoU's, the IOSCO MMoU and the BOCA Declaration (The Declaration on Co-operation and Supervision of International Futures Markets and Clearing Organisations).

The DFSA is awaiting assessment to become a signatory to the IAIS multi-lateral MoU, a commitment among insurance supervisors inspired by the IOSCO initiative.

A continued increase in activity by Authorised Firms in the DIFC has meant a corresponding increase in requests for assistance to and from fellow regulators. Consistent with its legal responsibilities and its commitments through MoU's, the DFSA has responded to more than 34 requests for regulatory information.

For some years the DFSA has been committed to supporting the work and objectives of international standard setting bodies, but following a review of our international commitments and the enhanced global significance of these organisations for financial services, the DFSA extended its engagement in 2009. Apart from its continuing participation in the work of IOSCO, the IAIS (its Technical Committee and Governance and Compliance Subcommittee) and AAOIFI, the DFSA has become a full member of the Islamic Financial Services Board and it has joined the International Forum of Independent Audit Regulators. In June, the Chief Executive was appointed a Member of Consultative Advisory Groups of two key international accounting bodies, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). Reflecting areas of particular interest to the DFSA and the expertise of our senior executives, the Deputy Chief Executive is currently chairing an IAIS working group to produce a Guidance Paper on Supervisory Recognition, and the Managing Director of Markets is a participant in IOSCO's Commodity and Derivatives Taskforce.

Additionally, in September the DFSA was invited by the Chairman of the Basel Committee on Banking Supervision (BCBS) to join the Committee's Basel Consulting Group, the BCBS's main body for co-operation with a wider group of jurisdictions and the Managing Director of Supervision, previously a member of the Basel Committee itself, is representing the DFSA at this forum.

International interest in the DIFC and the DFSA's role in the Centre continued during 2009 and the DFSA welcomed and briefed over 49 visiting foreign delegations.

#### **MoU's signed with the DFSA in 2009**

De Nederlandsche Bank

Central Bank of the UAE

Anti-Money Laundering Suspicious Cases Unit of the Central Bank of the UAE

The Bank Supervision Department of the South African Reserve Bank

Securities and Exchange Board of India

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

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

The Department continued to conduct business process reviews throughout the DFSA to improve the organisation's processes and service standards. In 2009, process reviews were concluded within the Markets and Policy and Legal Services Divisions as well as the TRL Learning and Development Departments. As part of its support throughout

continuous improvement, the Department also conducted internal reviews for specific processes within the Supervision Division, namely Authorisation and response to events.

Project Management also continued to play a central role in cross-divisional projects throughout 2009. The Department successfully managed the review of the Enforcement Module, implementation of Project Core, (the overarching principle of this project was to ensure that the DFSA's regulatory focus and priorities were aligned to the magnitude of the risks posed to our objectives), Markets and Policy and Legal Services Divisions as well as the TRL Learning and Development Departments. The team is also managing the preparations for the 2010 Triannual and Annual Conference of the IAIS which will take place in Dubai between 24th and 29th October 2010.

The DFSA continues to comply with and update, according to global standards, its Health and Safety policies and procedures. A review of the policies was conducted in 2009 which resulted in new policies being made as well as amendments to existing policies. They aim to improve the effectiveness of the DFSA Health and Safety programme.

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 co-ordinated in 2009 include data centre migration audit, compliance with the authority matrix, adequacy of the authority matrix and IT security penetration testing.

### **Information Technology**

The IT Department continued to improve the security, robustness and compliance of all internal and external systems, infrastructure and IT governance framework that has been developed over the last few years. Despite increased system complexity and sophistication, managing and building upon the secure foundation and infrastructure established over the last 4 years was achieved.

In 2009, 24 projects and initiatives were successfully implemented. In addition, the strategy of adopting a low risk and proactive approach on all systems and processes has ensured that all software and hardware issues are escalated and reported to the relevant team members seamlessly. The IT Department operates on a centralised model with core system knowledge being retained in-house. At the same time, outsourced vendors are utilised on larger-scale implementations.

At the start of 2009, the new, larger data centre went live without disruption to internal operations or Firms logging onto the Electronic Prudential Reporting System (EPRS). The data centre was audited by an external third party against the international standard ISO/IEC 27002: 2005, successfully.

The largest of the projects in 2009 was a major redevelopment of the Regulatory Information System (RIS). The system has been enhanced over time, however, due to the growing maturity and process improvement within the DFSA, RIS was redeveloped to ensure that all business requirements from an enterprise-wide perspective were delivered. The new RIS has a full suite of reports available and a Management

Information System that ensures all relevant data and information is captured, retrieved and analysed as required.

Mobility and communications were improved with the successful implementation of secure email via mobile devices. The devices are also used for internet access when on the move. IT security was further strengthened with the introduction of much tighter controls on not only the external network and perimeter; but also on the internal network. More processes and controls have also been implemented to ensure that the use of any unauthorised non-DFSA devices are prohibited from being used within the office. The Department continued to ensure that it adopts and benchmarks itself against international technology best practices and IT governance standards.

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

Some of the 2009 projects included:

- Secure email via mobile devices;
- Enhancements to the current Human Resource system;
- Redevelopment of the Regulatory Information System;
- Backend database upgrade;
- Full email back-end system upgrade;
- Upgraded switching equipment;
- Upgraded anti-virus system;
- Enabling full audit trail of files and folders within the internal network;
- Management Information System;
- Replacement of computer equipment;
- Review of data back-up processes;
- Heightened security measures on internal network;
- New primary Data Centre audit based on ISO/IEC 27002: 2005;
- Additional network monitoring tool - based at secondary location;
- High Availability implementation for accessing systems remotely;
- External Penetration testing audit; and
- Enhancements to virtual technical environments and server consolidation.

### **Office Administration**

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

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

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

The off-site archival facilities continue to be utilised by the DFSA which has considerably increased the number of records stored at the facility. The Administration team continues to manage the archival and retrieval process effectively.

Further to the recycling measures initiated by DIFCA, the necessary arrangements were made to install recycling bins on the premises. All staff are now aware of the importance of this initiative and are encouraged to recycle.

Safety of all DFSA staff and visitors continued to be a major priority for the DFSA. The team ensured that 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 the guidelines set by the Civil Defence Authority. A record of all the status reports submitted to date continues to be maintained. Regular updates to the official DFSA Emergency Guide were also 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, Management Information System 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 2008 were completed within a month of the closure of the financial year. A clean audit report was presented to the Board of Directors in its meeting held in February 2009 and the accounts were approved by the Board in the same meeting.

During 2009, the annual review of the Finance policies manual and the processes was carried out by Finance. Our accounting and payroll systems were updated and customised to improve and enhance the functionalities. These exercises assisted the Finance team in improving the operational efficiencies, reducing the transactions processing time and establishing the tighter internal controls.

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

The Finance team won the Distinguished Department of the Year Governor's award in May 2009. The Dubai Quality Group carefully evaluated 15 nominations in this category and chose DFSA's Finance team as the winner.

## HUMAN RESOURCES

The major initiative in 2009 has been to deliver against the second Strategic Theme of the DFSA, Building Capability.

2009 has seen us treble our budget on Learning and Development. Employees have on average, attended 6.5 training days which is high by most international standards, particularly in an economic downturn. This has been based on meeting individual needs as assessed in our 'Employee Development Needs Analysis', on a major programme of briefings in our Continuing Professional Development series and on on-site strategic initiatives covering Islamic Finance, Legislative Drafting, Financial Analysis and Strategic Planning.

We have again reviewed our TRL Programme to ensure that we reflect the current financial environment and address the issues arising. We have seen some turnover from the programme but have retained our committed colleagues, and three have joined our regulatory Divisions as Managers. We continue to grow the programme and have five excellent recruits in 2009.

The DFSA has improved the employee turnover in 2009, and have seen a small but corresponding reduction in the number of regulatory departures.

We have undertaken an element of restructuring to focus our skilled staff where they are most needed. The best examples of this are in combining our Supervision and Authorisation teams, and bringing our Enforcement team under the same management as our Policy and Legal Services team. This refocusing of resources, and in some instances the involuntary departure of staff, has enabled us to recruit additional resources to our Case Officer Supervisory teams.

Our sickness absence data remains acceptable at under 4 days per employee, per annum. While there is little comparable data in the UAE, this compares highly favourably to the data presented in the Chartered Institute of Personnel Development Report from the UK, which reported average absence rates in the UK of 7.4 days per annum in the workforce in general and 9.7 days per annum, in public service.

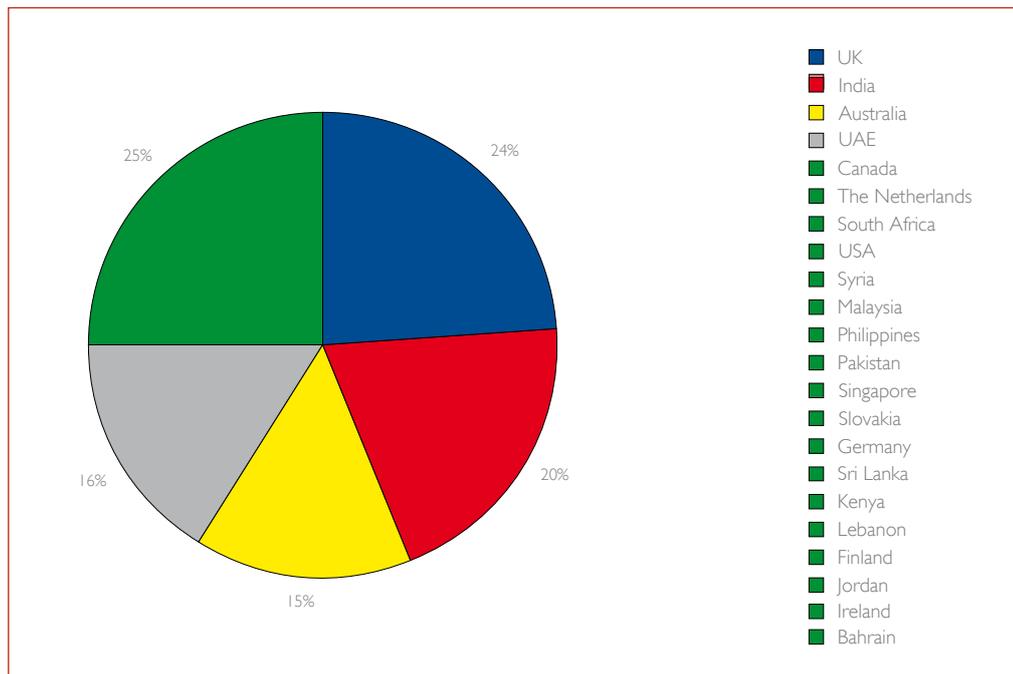
The international recruitment market remains a difficult one. We continue to be successful in recruiting high calibre staff but compete in a market where regulatory skills are increasingly in demand by 'home country' regulators and there is a tendency for employees to 'sit tight' in their current roles.

While increasing our budgets in key strategic areas, we have worked to reduce costs in recruitment and in certain areas of our remuneration package. We have suspended the operation of our Exchange Rate Protection Allowance and renegotiated our Medical and Life Insurance costs to significantly reduce our operational costs.

### Nationalities

DFSAs employees hail from over 22 countries around the world.

## Nationality Chart



## THE COMMUNICATIONS UNIT

The Communications and Strategic Planning Unit was renamed at the beginning of 2009, as the Communications Unit. In addition, the Unit changed its reporting line from the Policy and Legal Services Division to the Chief Executive's Office.

In 2009, the Communications Unit continued to focus on making the DFSA accessible to all its stakeholders and protecting the reputation of the Authority. Throughout the year, the Unit continued to foster regional and international awareness through media releases, press conferences, targeted media interviews and webcasts, as well as strategically positioning the DFSA in various conferences and events.

The Unit is responsible for a number of external and internal publications including the Annual Report, The DFSA in Action and a range of leaflets on key topics, published in both English and Arabic. Content for the DFSA intranet and website is also the responsibility of the Unit and all efforts were taken in the year to ensure that it remained topical, up-to-date, relevant and informative. In 2009, the Communications Unit commenced distribution and analysis of a 'Market Intelligence Report' sent on a daily basis to all DFSA Executives.

Finally, the Unit provided support to all regulatory and non-regulatory functions of the DFSA, assisted in the development of key DFSA projects, facilitated media training, co-ordinated preparations for the hosting of the IAIS 2010 event and maintained active engagement in the TRL Programme.

## 2009 KEY PERFORMANCE STATISTICS

### THE DFSA IN ACTION IN 2009

• Firms Authorised	46
▶ Islamic Institutions	3
▶ Firms with an Islamic Window	1
• Individuals Authorised	469
• Ancillary Service Providers Registered	10
• Auditors Registered	2

### POLICY AND LEGAL SERVICES IN 2009

• Consultation Papers (Policy, Laws and Rule) published	7
▶ % of proposals substantially agreed in consultation	95%
• Rule-making instruments made	4
• Waivers and Modifications applications	71
• Waivers and Modifications granted	69

### SUPERVISION IN 2009

• Risk Assessments of Authorised Firms	135
• Risk Assessments initiated within timeframe %	100%
▶ Average processing time (business days)	10.3
• Licence Variations	20
▶ Average processing time (business days)	20
• Total number of applications received	65
• Applications processed within 50 business days	51%
• Applications in progress	24
• Applications withdrawn	32

### MARKETS IN 2009

• Reporting Entities	38
• NASDAQ Dubai Listings documents and decisions reviewed	3
▶ Listing documents and decisions reviewed within 5 business days	100%
• Notifications of Securities Offers from the DIFC	0
• Public enquiries	5
• Recognised Member applications approved	7
• Recognised Body applications approved	1
• Disclosure notifications to NASDAQ Dubai	1226

### ENFORCEMENT IN 2009

• Complaints received and assessed	83
• Referrals from Supervision Division	28
• Investigations commenced	9
• DIFC Courts applications and orders	1
• Enforcement Mutual Assistance requests received	17
• Enforcement Mutual Assistance requests made	18

### INTERNATIONAL RELATIONS IN 2009

• MoU's signed	5
• Regulatory requests for information and assistance	34
• Visiting foreign delegations	49

### CORPORATE SERVICES IN 2009

• Statutory accounting and reporting obligations received and published unqualified auditors' report on time	100% compliance
• Financial performance within approved operating budget	100% compliance
• 2009 surplus as % of total expenditure	11.65%
• 2009 surplus as % of total income	10.43%

### HUMAN RESOURCES IN 2009

• Tomorrow's Regulatory Leaders: Graduate intake	5 (6 in 2008)
• Tomorrow's Regulatory Leaders: Scholarships	2 (2 in 2008)
• Number of employees	117 (116 in 2008)
▶ International	97 (101 in 2008)
▶ Emiratis	20 (15 in 2008)
• Turnover	10.17% (11.7% in 2008)
▶ Regulators	10.8% (16% in 2008)
▶ Non-regulators	9.4% (8% in 2008)



## APPENDICES



## **APPENDIX I**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

	Pages
Independent auditor's report	66-67
Balance sheet	68
Statement of financial performance	69
Statement of changes in equity	70
Cash flow statement	71-72
Notes to the financial statements	73-82

Independent auditor's report to the Board of Dubai Financial Services Authority

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Dubai Financial Services Authority ("DFSA") which comprise the balance sheet as at 31 December 2009 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 73 to 75 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 73 to 75 of the financial statements.

PricewaterhouseCoopers

Dubai, United Arab Emirates

22 February 2010

**BALANCE SHEET**

		31 December			
	Notes	2009		2008	
		AED'000	US\$'000	AED'000	US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	3	4,898	1,334	8,846	2,410
Intangible assets	4	2,269	619	1,645	449
		7,167	1,953	10,491	2,859
<b>Current assets</b>					
Prepayments and receivables	5	10,244	2,790	11,148	3,037
Cash and cash equivalents	6	61,248	16,689	107,066	29,174
		71,492	19,479	118,214	32,211
<b>Total assets</b>		<b>78,659</b>	<b>21,432</b>	<b>128,705</b>	<b>35,070</b>
<b>EQUITY</b>					
<b>Contributed capital and reserves</b>					
Contributed capital	2.4	32,180	8,770	32,180	8,770
Accumulated surplus		9,504	2,588	35,742	9,738
<b>Total equity</b>		<b>41,684</b>	<b>11,358</b>	<b>67,922</b>	<b>18,508</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Provision for employees' end of service benefits	7	9,537	2,599	7,442	2,028
<b>CURRENT LIABILITIES</b>					
Creditors, accruals and other liabilities	8	27,438	7,475	23,981	6,534
Funds received in advance from Government	2.4	-	-	29,360	8,000
		27,438	7,475	53,341	14,534
<b>Total liabilities</b>		<b>36,975</b>	<b>10,074</b>	<b>60,783</b>	<b>16,562</b>
<b>Total equity and liabilities</b>		<b>78,659</b>	<b>21,432</b>	<b>128,705</b>	<b>35,070</b>

These financial statements were approved for issue by the Board of Directors on 17 February 2010.

Signed on behalf of the DFSA Board

The notes on pages 73 to 82 form an integral part of these financial statements.

	Notes	Year ended 31 December			
		2009		2008	
		AED'000	US\$'000	AED'000	US\$'000
Appropriations from the Government	2.4	117,440	32,000	125,088	34,084
Fee income	2.3	33,798	9,210	30,487	8,307
Interest income		1,771	483	2,120	578
<b>Total Income</b>		153,009	41,693	157,695	42,969
General and administration expenses	9	(123,576)	(33,672)	(117,580)	(32,039)
Board of Directors' expenses	11	(13,466)	(3,671)	(15,488)	(4,220)
<b>Total expenses</b>		(137,042)	(37,343)	(133,068)	(36,259)
Surplus for the year		15,967	4,350	24,627	6,710

## 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 2008</b>						
At 1 January 2008	28,341	7,725	23,593	6,428	51,934	14,153
Additional capital contributed	3,839	1,045	-	-	3,839	1,045
Remittance to the Government	-	-	(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>
<b>Year ended 31 December 2009</b>						
At 1 January 2009	32,180	8,770	35,742	9,738	67,922	18,508
Remittance to the Government (Note 13)	-	-	(42,205)	(11,500)	(42,205)	(11,500)
Surplus for the year	-	-	15,967	4,350	15,967	4,350
<b>At 31 December 2009</b>	<b>32,180</b>	<b>8,770</b>	<b>9,504</b>	<b>2,588</b>	<b>41,684</b>	<b>11,358</b>

**CASH FLOW STATEMENT**

		Year ended 31 December			
		2009		2008	
<b>Operating activities</b>	Notes	AED'000	US\$'000	AED'000	US\$'000
Surplus for the year		15,967	4,350	24,627	6,710
Adjustments for the following items:					
Depreciation	3	5,311	1,447	5,380	1,464
Amortisation	4	1,095	298	1,261	343
(Gain)/loss on disposal/write off of property and equipment		(26)	(7)	42	11
Provision for employees' end of service benefits	7	3,809	1,038	3,407	929
Interest income		(1,771)	(483)	(2,120)	(578)
Operating cash flows before payment of employees' end of service benefits and movements in working capital		24,385	6,643	32,597	8,879
Payment of employees' end of service benefits	7	(1,714)	(467)	(2,250)	(613)
Changes in working capital:					
Prepayments and receivables net of interest receivables	5	627	172	(1,452)	(393)
Creditors, accruals and other liabilities	8	3,457	941	8,769	2,389
<b>Net cash provided by operating activities</b>		26,755	7,289	37,664	10,262
<b>Investing activities</b>					
Purchase of property and equipment and intangible assets	3, 4	(3,111)	(848)	(3,839)	(1,045)
Proceeds from disposal of property and equipment		55	16	-	-
Interest received		2,048	558	1,843	503
<b>Net cash used in investing activities</b>		(1,008)	(274)	(1,996)	(542)

The notes on pages 73 to 82 form an integral part of these financial statements.

	Notes	Year ended 31 December			
		2009		2008	
Financing activities		AED'000	US\$'000	AED'000	US\$'000
Additional contributed capital		-	-	3,839	1,045
Remittance to the Government	13	(42,205)	(11,500)	(12,478)	(3,400)
Net decrease in funds received in advance from the Government	2.4	(29,360)	(8,000)	(2,871)	(782)
<b>Net cash used in financing activities</b>		<b>(71,565)</b>	<b>(19,500)</b>	<b>(11,510)</b>	<b>(3,137)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(45,818)</b>	<b>(12,485)</b>	<b>24,158</b>	<b>6,583</b>
Cash and cash equivalents, beginning of the year	6	107,066	29,174	82,908	22,591
<b>Cash and cash equivalents, end of the year</b>	6	<b>61,248</b>	<b>16,689</b>	<b>107,066</b>	<b>29,174</b>

The notes on pages 73 to 82 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 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.

#### 2.2 FOREIGN CURRENCY TRANSLATION

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of financial performance.

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

#### 2.3 FEE INCOME

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

#### 2.4 FUNDS RECEIVED FROM AND REMITTED TO THE GOVERNMENT

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### 2.4 FUNDS RECEIVED FROM AND REMITTED TO THE GOVERNMENT (CONTINUED)

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

#### 2.5 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. The provision is fully funded with funds specifically set aside and held in a separate bank account.

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

#### 2.6 FINES

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

#### 2.7 PROPERTY AND EQUIPMENT

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

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

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

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

### **2.7 PROPERTY AND EQUIPMENT (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.

### **2.8 INTANGIBLE ASSETS**

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

### **2.9 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.

### **2.10 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.

### **2.11 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 2009**  
(CONTINUED)

**3 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Fixtures and fittings	Office equipment	Computer equipment	Motor vehicles	Capital work in progress	Total
<b>IN AED'000</b>							
<b>Cost</b>							
At 1 January 2009	13,629	4,014	1,078	7,849	229	180	26,979
Additions	58	22	37	1,334	-	1,660	3,111
Transfer from capital work in progress	-	-	-	121	-	(1,840)	(1,719)
Disposals/write off	-	-	(3)	(681)	-	-	(684)
At 31 December 2009	13,687	4,036	1,112	8,623	229	-	27,687
<b>Depreciation</b>							
At 1 January 2009	9,330	3,805	774	3,995	229	-	18,133
Charge for the year	2,731	202	191	2,187	-	-	5,311
Disposals/write off	-	-	(1)	(654)	-	-	(655)
At 31 December 2009	12,061	4,007	964	5,528	229	-	22,789
<b>Net book amount</b>							
At 31 December 2009	1,626	29	148	3,095	-	-	4,898
At 31 December 2008	4,299	209	304	3,854	-	180	8,846

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(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 2009	3,714	1,095	294	2,137	62	49	7,351
Additions	16	6	10	364	-	452	848
Transfer from capital work in progress	-	-	-	33	-	(501)	(468)
Disposals/write off	-	-	(1)	(186)	-	-	(187)
At 31 December 2009	3,730	1,101	303	2,348	62	-	7,544
<b>Depreciation</b>							
At 1 January 2009	2,542	1,037	211	1,089	62	-	4,941
Charge for the year	744	55	52	596	-	-	1,447
Disposals/write off	-	-	-	(178)	-	-	(178)
At 31 December 2009	3,286	1,092	263	1,507	62	-	6,210
<b>Net book amount</b>							
At 31 December 2009	444	9	40	841	-	-	1,334
At 31 December 2008	1,172	58	83	1,048	-	49	2,410

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(CONTINUED)

**4 INTANGIBLE ASSETS**

<b>Cost</b>	2009 AED'000	2009 US\$'000	2008 AED'000	2008 US\$'000
At 1 January	4,305	1,174	3,942	1,075
Additions	-	-	363	99
Transfer from capital work in progress	1,719	468	-	-
<b>At 31 December</b>	<b>6,024</b>	<b>1,642</b>	<b>4,305</b>	<b>1,174</b>
<b>Amortisation</b>				
At 1 January	2,660	725	1,399	382
Amortisation	1,095	298	1,261	343
<b>At 31 December</b>	<b>3,755</b>	<b>1,023</b>	<b>2,660</b>	<b>725</b>
<b>Net book amount at 31 December</b>	<b>2,269</b>	<b>619</b>	<b>1,645</b>	<b>449</b>

Intangible assets represent purchased software.

**5 PREPAYMENTS AND RECEIVABLES**

	2009 AED'000	2009 US\$'000	2008 AED'000	2008 US\$'000
Prepayments	9,989	2,722	10,254	2,794
Staff advances	157	42	250	68
Other receivables	98	26	644	175
	<b>10,244</b>	<b>2,790</b>	<b>11,148</b>	<b>3,037</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(CONTINUED)

**6 CASH AND CASH EQUIVALENTS**

	2009	2009	2008	2008
	AED'000	US\$'000	AED'000	US\$'000
Cash in hand	9	3	14	4
Current account with bank	61,239	16,686	47,701	12,998
Short term fixed deposits	-	-	59,351	16,172
	61,248	16,689	107,066	29,174

All bank balances are held with a bank licensed in the United Arab Emirates. The interest rate on short term fixed deposits was 4.19% at 31 December 2008.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(CONTINUED)

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

	2009 AED'000	2009 US\$'000	2008 AED'000	2008 US\$'000
At the beginning of the year	7,442	2,028	6,285	1,712
Provision made during the year ( see below)	3,809	1,038	3,407	929
Payments during the year	(1,714)	(467)	(2,250)	(613)
At the end of the year	9,537	2,599	7,442	2,028

The provision made during the year is charged as follows:

	2009 AED'000	2009 US\$'000	2008 AED'000	2008 US\$'000
Staff costs (Note 10)	3,707	1,010	3,342	911
Other board expenses (Note 11)	102	28	65	18
	3,809	1,038	3,407	929

**8 CREDITORS, ACCRUALS AND OTHER LIABILITIES**

	2009 AED'000	2009 US\$'000	2008 AED'000	2008 US\$'000
Trade creditors	1,596	435	2,893	788
Employee related accruals	1,601	436	1,165	317
Other accruals	1,274	347	1,077	293
Fee income received in advance	22,835	6,221	15,167	4,133
Amount payable to the Government of Dubai (i)	132	36	3,679	1,003
	27,438	7,475	23,981	6,534

(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(CONTINUED)

**9 GENERAL AND ADMINISTRATION EXPENSES**

	Year ended 31 December 2009		Year ended 31 December 2008	
	AED'000	US\$'000	AED'000	US\$'000
Staff costs (Note 10)	95,603	26,050	88,601	24,143
Office rent	6,960	1,896	6,960	1,896
Depreciation (Note 3)	5,311	1,447	5,380	1,464
Training, conferences and seminars	3,540	964	2,757	751
Communication costs	2,962	807	2,169	591
Recruitment costs	1,673	457	2,251	614
Legal, consultancy and professional fees	1,362	371	2,132	581
Amortisation (Note 4)	1,095	298	1,261	343
Marketing expenses	797	217	1,173	320
Exchange gain	(259)	(71)	-	-
Vehicle maintenance	260	71	235	64
Finance cost	47	13	29	8
(Gain)/loss on disposal/write off of property and equipment	(26)	(7)	42	11
Other expenses	4,251	1,159	4,590	1,253
	123,576	33,672	117,580	32,039

**10 STAFF COSTS**

	Year ended 31 December 2009		Year ended 31 December 2008	
	AED'000	US\$'000	AED'000	US\$'000
Salaries	54,473	14,843	50,967	13,888
Other benefits	37,423	10,197	34,292	9,344
Employees' end of service benefits (Note 7)	3,707	1,010	3,342	911
	95,603	26,050	88,601	24,143

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**  
(CONTINUED)

**11 BOARD OF DIRECTORS' EXPENSES**

	Year ended 31 December 2009		Year ended 31 December 2008	
	AED'000	US\$'000	AED'000	US\$'000
Retainer fees	5,155	1,405	4,565	1,244
Attendance fees	2,917	795	3,075	838
Travelling	2,098	572	2,702	736
Others	3,296	899	5,146	1,402
	13,466	3,671	15,488	4,220

**12 OPERATING LEASE COMMITMENTS**

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

	2009	2009	2008	2008
	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
	6,960	1,896	13,920	3,792

**13 REMITTANCE TO THE GOVERNMENT**

At the meetings of the Board of Directors held on 3 February 2009 and 28 July 2009, the Board approved the remittance to the Government of AED 14,680,000 (US\$ 4,000,000) and AED 27,525,000 (US\$ 7,500,000), respectively, from accumulated surplus. Accordingly, these amounts have been reflected as remittance to the Government in the current year.

## 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, 2009 and December 31, 2008 by the Board and Senior Officers of the DFSA.

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

Remuneration bands

Amounts in USD	2009 Board Members	2008 Board Members
\$100,001 to \$150,000	1	0
\$150,001 to \$200,000	8	5
\$200,001 to \$250,000	2	4
\$250,001 >	1	1
	12	10
	2009(\$)	2008(\$)

The aggregate amount of total remuneration of non-Executive Members of the Board shown above:

2,363,741                      2,202,889

#### 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 2009 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 2009 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 USD	2009 Executives	2008 Executives
\$200,001 to \$300,000	0	1
\$300,001 to \$400,000	1	5
\$400,001 to \$800,000	16	12
\$800,000 >	1	1
	18	19
	2009(\$)	2008(\$)
The aggregate amount of total remuneration of executives shown above:	10,639,817	10,974,814
Executives remuneration included in the above comprised:	2009 \$	2008 \$
Salaries and Performance Bonuses	7,825,372	8,445,078
Other emoluments and benefits	2,814,445	2,529,736

### NOTES:

- 1 Salaries and bonuses are pro-rated based on actual duration of service during the year.
- 2 Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical and life insurance and end of service accrual for the year 2009.

## APPENDIX 3

### AUTHORISED FIRMS LICENSED IN 2009

---

ABN AMRO Asset Management (Asia) Limited

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AJM Capital Limited

---

Akbank (Dubai) Limited

---

Allianz Risk Transfer AG

---

Arabian Capital Investment & Finance Company (Dubai) Limited

---

ASAS Capital Ltd

---

BDO Corporate Finance (Middle East) LLP

---

Bloomberg Tradebook Europe Limited

---

Burj Global Capital Limited

---

Capital Investment International [CII-UAE] Ltd

---

Cisco Capital Dubai Limited

---

Clarkson Investment Services (DIFC) Limited

---

D.E. Shaw & Co. MENA, Ltd.

---

DeaconCapital (Dubai) Limited

---

Enam International Limited

---

Euram Bank Asia Limited

---

Fortis Bank (Nederland) NV

---

GMG (Dubai) Limited

---

Gulfmena Alternative Investments Limited

---

H.K. Advisory Services Limited

---

IDBI Bank Limited

---

IDM (MENA) Limited

---

Istithmar World Investment Management (Dubai) Limited

---

Kane Limited

---

KKR MENA Limited

---

Kuwait Turkish Participation Bank (Dubai) Limited

---

Liongate Capital Management (Dubai) Limited

---

---

Lockton Companies International Limited

---

MAS ClearSight Limited

---

Morgan Stanley Private Wealth Management Limited

---

NAJD Investments (Dubai) Limited

---

Nomura International plc

---

OANDA Middle East Corporation Ltd.

---

Palma Capital Limited

---

PMA (Middle East) Limited

---

Punjab National Bank

---

QBE Insurance (Europe) Limited

---

Reliance Capital Asset Management (UK) PLC

---

Saxo Bank Dubai Limited

---

Simmons & Company International Limited

---

The Bank of Nova Scotia

---

TVM Capital (MENA) Limited

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Underwriting Risk Services (Middle East) Ltd

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VTB Capital plc

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Yusr Islamic Investment Bank Limited

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Zurich Insurance Company Ltd

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

## **APPENDIX 4**

### **ANCILLARY SERVICE PROVIDERS REGISTERED IN 2009**

---

Clyde & Co LLP

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Deloitte Corporate Finance Limited

---

Horizons & Co Law Firm

---

Jones Day

---

K & L Gates LLP

---

Simmons & Simmons Middle East LLP

---

Stibbe Dubai B.V.

---

Trench & Associates LLP

---

Veris Delta International Limited

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Weil, Gotshal & Manges LLP

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## **APPENDIX 5**

### **AUDITORS REGISTERED IN 2009**

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KPMG LLP

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Usamah Tabbarah & Co - Nexia International

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

## APPENDIX 6

### MEMBERS OF AUTHORISED MARKET INSTITUTIONS RECOGNISED IN 2009

Al Awael Securities, LLC	NASDAQ Dubai
Al Futtaim HC Securities Company, LLC	NASDAQ Dubai
CBD Financial Services, LLC	NASDAQ Dubai
Deutsche Bank Securities, Inc	DME
Emirates International Securities, LLC	NASDAQ Dubai
Goldman Sachs International	NASDAQ Dubai
Wood & Co Financial Services, a.s	NASDAQ Dubai

#### Recognised Body in 2009

NYSE Liffe US, LLC
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## APPENDIX 7

### MEMORANDA OF UNDERSTANDING

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#### MULTI-LATERAL MoU's

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IOSCO

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BOCA	The BOCA Declaration on Co-operation and Supervision of International Futures Markets and Clearing Organisation
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#### BI-LATERAL MoU's

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Australia	Australian Securities and Investments Commission (ASIC)
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Belgium	Banking, Finance and Insurance Commission (CBFA)
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China	China Banking Regulatory Commission (CBRC)
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China	China Securities Regulatory Commission (CSRC)
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Cyprus	Securities and Exchange Commission (SEC)
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Dubai	Dubai Police
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Dubai	Public Prosecution Department
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Egypt	Capital Markets Authority (CMA)
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France	Commission Bancaire
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Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
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Greece	Hellenic Capital Market Commission (HCMC)
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Guernsey	Financial Services Commission (FSC)
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Hong Kong	Securities and Futures Commission (SFC)
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Iceland	The Financial Supervisory Authority (FME)
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India	Securities and Exchange Board of India (SEBI)
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Ireland	Irish Financial Services Regulatory Authority
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Isle of Man	Financial Supervision Commission (FSC)
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Isle of Man	Insurance and Pensions Authority (IPA)
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Japan	Japan Financial Services Agency (JFSA)
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Jersey	Jersey Financial Services Commission (JFSC)
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Jordan	Insurance Commission (IC)
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Jordan	Central Bank of Jordan
Korea	Financial Supervisory Commission (FSC)
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)
Malaysia	Securities Commission (SC)
Malaysia	Bank Negara
Malta	Malta Financial Services Authority (MFSA)
Netherlands	Authority for the Financial Markets (AFM)
Netherlands	De Nederlandsche Bank (DNB)
New Zealand	Securities Commission (NZSC)
Oman	Capital Market Authority (CMA)
Singapore	Monetary Authority of Singapore (MAS)
South Africa	Financial Services Board (FSB)
South Africa	South African Reserve Bank
Sweden	Finansinspektionen (FI)
Switzerland	Swiss Federal Banking Commission (SFBC)
Taiwan	Financial Supervisory Commission of Chinese Taipei (FSC)
Thailand	Securities and Exchange Commission (SEC)
Turkey	Capital Markets Board (CMB)
Turkey	Banking Regulation and Supervision Board (BDDK)
United Arab Emirates	Central Bank of the UAE (CBUAE)
United Arab Emirates	Anti-Money Laundering Suspicious Cases Unit (AMLSCU) of the CBUAE
United Arab Emirates	Emirates Securities and Commodities Authority (SCA)
United Kingdom	Financial Services Authority (FSA)
United States	Commodity Futures Trading Commission (CFTC)
United States	The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS)

## **APPENDIX 8**

### **LEGISLATION RELEVANT TO THE DFSA**

#### **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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Cabinet Resolution No.28 of 2007 on the Implementing Regulations of Federal Law No.8 of 2004

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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 ADMINISTERED BY DFSA**

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Regulatory Law 2004

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Markets Law 2004

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Law Regulating Islamic Financial Business 2004

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Collective Investment Law 2006

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Investment Trust Law 2006

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#### **MODULES OF THE DFSA RULEBOOK**

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General (GEN)

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Authorisation (AUT)

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Supervision (SUP)

---

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 (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 Market Institutions (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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Collective Investment Rules (CIR)

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Takeover Rules (TKO)

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Glossary (GLO)

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Fees Rules (FER)

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Representative Office (REP)

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## **MODULES OF THE DFSA SOURCEBOOK**

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Prudential Returns Module (PRU)

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Application Forms and Notices (AFN)

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## APPENDIX 9

### GLOSSARY

Accounting and Auditing Organisation for Islamic Financial Institutions	AAOIFI
Africa and Middle East Regional Committee	AMERC
Ancillary Service Provider	ASP
Anti-Money Laundering	AML
Authorised Firm	AF
Authorised Market Institution	AMI
Bank for International Settlements	BIS
Basel Committee for Banking Supervision	BCBS
Brazil, Russia, India and China	BRIC
Chartered Institute of Personnel Development	CIPD
Compliance Officers Network Group	CONG
Counter Terrorist Financing	CTF
Dubai Financial Services Authority	DFSA
Dubai International Financial Centre	DIFC
Dubai International Financial Centre Authority	DIFCA
Dubai Mercantile Exchange	DME
Electronic Prudential Reporting System	EPRS
Emirates Securities and Commodities Authority	SCA
Financial Action Task Force	FATF
Financial Markets Tribunal	FMT
Gulf Co-operation Council	GCC
International Accounting Standards Board	IASB
International Association of Insurance Supervisors	IAIS
International Auditing and Assurance Standards Board	IAASB
International Ethics Standards Board for Accountants	IESBA
International Forum of Independent Audit Regulators	IFIAR
International Organisation of Securities Commissions	IOSCO
Islamic Financial Services Board	IFSB
Know Your Customer	KYC
Memorandum of Understanding	MoU

Middle East, North Africa, South Asia	MENASA
National Anti-Money Laundering Committee	NAMLC
Organisation for Economic Co-operation and Development	OECD
Qatar Financial Centre Regulatory Authority	QFCRA
Registered Auditors	RA
Regulatory Appeals Committee	RAC
Regulatory Information System	RIS
Tomorrow's Regulatory Leaders	TRL
United Arab Emirates	UAE
United Arab Emirates Central Bank	CBUAE

## APPENDIX 10 CONTACT DETAILS

### OFFICE ADDRESS

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The Gate  
DIFC

### POSTAL ADDRESS

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