



## Annual Report 2007

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 fourth annual report. It relates to the financial year ended 31 December 2007.

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



The Dubai Financial Services Authority is the sole independent regulator of all financial and ancillary services conducted through the Dubai International Financial Centre, a purpose-built financial free zone in Dubai. The DFSA's regulatory mandate covers asset management, banking, securities, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange.

# THE DFSA

## 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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## KEY MILESTONES IN 2007

### POLICY AND LEGISLATION

- The DFSA issued the first regulator developed Hedge Funds Code of Practice based on international best practice.
- The DFSA issued a major policy paper setting out proposals to further develop its regulatory regime in light of international developments and increasing maturity of the DIFC.
- The DFSA implemented EPRS, a new electronic web-based data collection and dissemination framework, to facilitate analysis of prudential Firm activity and risk levels and to improve the availability of aggregate data.

### MARKET GROWTH AND SUPERVISION

- The DFSA licensed 200th Firm by mid November 2007.
- The DFSA authorised the Dubai Mercantile Exchange Limited (DME) as the first commodities derivatives exchange in the DIFC and recognised the New York Mercantile Exchange Inc (NYMEX) as its clearing house.
- The DFSA approved changes in control of DIFX to Borse Dubai Limited.
- The DFSA conducted a major theme review of Authorised Firms and ASPs testing implementation and management of KYC and AML/CTF procedures and compliance with relevant UN Security Council Sanctions.

### INTERNATIONAL RELATIONS

- The DFSA entered into a historic Memorandum of Understanding with principal US Banking Supervisors: the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision.
- The DFSA entered into a Memorandum of Understanding with Bank Negara Malaysia and a mutual recognition agreement with the Securities Commission of Malaysia to facilitate cross-border marketing and selling of Islamic Funds.
- The DFSA entered into a series of bilateral Memoranda of Understanding with counterpart regulatory authorities from China, Jordan, Turkey, Greece, Netherlands, Iceland, Switzerland, Luxembourg, Japan, Guernsey and New Zealand.
- The DFSA hosted, for the first time, a major meeting of international securities regulators in Dubai, the Emerging Markets Committee of International Organisation of Securities Commissions (IOSCO), which represents more than 90% of the world's securities regulators and is the largest of the IOSCO's three main committees, with members representing more than 80 jurisdictions.
- The DFSA hosted the International Association of Insurance Supervisors (IAIS) tri-annual meeting with over 200 international insurance regulators and supervisors from over 50 countries attending to discuss key regulatory and industry developments.

## **ENFORCEMENT**

- The DFSA obtained final injunctions against the operators of Enduam Asset Management for falsely representing that it was regulated in the DIFC.
- The DFSA shut down and obtained injunctions against fictitious Dubai Options Exchange and United Arab Emirates Commodities Futures Board, which held out to be legitimate entities in the DIFC.
- The DFSA shut down major internet fraud and obtained injunctions against operators of Euro America Index, which held out to have a legitimate global trading centre in the DIFC.
- The DFSA accepted the voluntary withdrawal of licenses of the Forsyth Companies after failure to meet applicable regulatory capital requirements.
- The DFSA banned two private bankers from participating in the DIFC financial services industry for 3 and 6 years for falsely representing terms of financial products to induce clients to invest.
- The DFSA accepted Enforceable Undertakings from several individuals for market-related misconduct.
- The DFSA issued Enforcement Alerts to inform investors about emerging investment scams and unauthorised financial services activity in the DIFC.

## **RECOGNITION AND AWARDS**

- The DFSA received highly positive comments on securities regulation in the DIFC from the International Monetary Fund in the context of the Financial System Stability Assessment Program (FSAP) report on the UAE.
- The DFSA received the “Best Regulator Award for Islamic Funds” with the Malaysian Securities Commission during the 5th Annual Islamic Funds World Conference.
- The DFSA received the Failaka Islamic Fund award for “Best Contribution to Growth and Development”, recognising the DFSA’s contributions to transparency and innovation in Islamic Finance.

## **GROWTH**

- The DFSA grew to 110 employees by year-end.
- Tomorrow’s Regulatory Leaders Program (TRL) for UAE nationals grew to 9 candidates: 4 second year and 5 first year candidates.

## **COMMUNITY OUTREACH AND PUBLIC AWARENESS**

- The DFSA increased its commitment to provide training and information sessions on regulatory matters to an expanded group of internal and external stakeholders.

## STATEMENT BY THE CHAIRMAN ABDULLAH M. SALEH



I wish to commence this report by acknowledging the valuable contribution to the development of the DFSA made by my predecessor, Dr Habib Al Mulla, whose term as Chairman expired in June 2007. Dr Habib was instrumental in shaping the legislative and regulatory framework that underpins the Dubai International Financial Centre. That experience, together with his legal expertise, was often called upon in the formative years of the DFSA to help resolve policy and operational issues. I again record the Board's appreciation for his service.

On behalf of the entire Board I also wish to express our thanks and congratulations to our Chief Executive, David Knott, and the DFSA Executive and staff for their outstanding performance during 2007. It has been a demanding year, with intense market competition for good quality staff and a range of challenging policy and operational issues. However, as the Chief Executive's report demonstrates, the DFSA has achieved all of its business plan objectives for the year and further consolidated its reputation as a world-class regulator of financial services.

Despite a degree of turmoil in international financial markets during the second half of the year, the DIFC experienced strong growth which appears sustainable during 2008, unless world economic conditions dramatically deteriorate. For the DFSA this means more firms and activities to supervise, a prospect which we welcome and for which we are well prepared. We were particularly pleased to see the commencement of operations by the Dubai Mercantile Exchange in 2007, together with exciting new developments at the Dubai International Financial Exchange. Our licensing and supervision of those exchanges and their development as robust, reputable participants in international capital markets rank among our highest priorities. I congratulate them on their success during 2007.

I do not wish to comment at length on regulatory issues covered in the Chief Executive's report. However, all members of the Board take pride in the professionalism demonstrated by the DFSA, by its level of innovation and its commitment to risk-based regulation. One initiative that I would single out is the Hedge Funds Code of Practice published last December, a carefully crafted document that has been well received by the industry and by other regulators. We are fortunate to have a Board that is well equipped to provide constructive guidance to the Executive on such matters, combining significant regulatory experience with widespread commercial and financial expertise. We were also pleased that our own views of the DFSA's progress to date were supported by positive reviews carried out by the IMF and World Bank during the year.

This report contains considerable information about the DFSA's governance structure which is, of course, overseen by the Board. I wish to thank all my colleagues for the contributions they have made, both at Board meetings and in Committee. Early in 2007 we finalised a Board performance assessment review covering the 18 months to 31 December 2006. We utilised external consultants to ensure the objectivity of that review which, although positive in most respects, did identify some opportunities for improving our processes. The Board is committed to undertaking performance assessments on an annual basis, and to implementing their recommendations, as part of our own good governance.

One of the DFSA's greatest successes so far has been the establishment of a wide network of international connections. The Board strongly endorses and supports this activity. In March 2007, we hosted a Board dinner for senior industry representatives in London and we have similar functions planned in Hong Kong, Beijing and Dubai during 2008. In October 2007, a number of Board members joined senior executives in Washington during the annual IMF meetings. At our final Board meeting of 2007, we were pleased to welcome to Dubai external members of the Regulatory Appeals Committee and the Financial Markets Tribunal. These meetings help to promote the regulatory work and objectives of the DFSA and encourage dialogue with the wider community. They are greatly valued by the Board.

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

# STATEMENT BY CHIEF EXECUTIVE OFFICER DAVID KNOTT



## ESTABLISHING A CREDIBLE TRACK RECORD OF REGULATION

In September 2007 the DFSA celebrated the third anniversary of its formation as an independent statutory authority.

Three years is a short time to establish a credible track record of regulation. Yet the success of the Dubai International Financial Centre in attracting top quality financial firms to the Centre has depended upon the visible presence of efficient, modern and independent regulation. In my previous two reports I have traced the key initiatives by which we have sought to build international confidence in the DFSA and in the regulatory standards that we administer.

This year we put those initiatives to the test by inviting the IMF and World Bank to assess our conformity with international best practice across all areas of our mandate. Although they decided to restrict their formal FSAP to our securities regime, they also less formally reviewed our banking and insurance regulation as part of a UAE Financial System Stability Assessment. The reports of the IMF/World Bank have been published and, together with the DFSA's self-assessments, may be accessed through our website. We are pleased that the quality of our standards, and our effective implementation of them, has been acknowledged in such positive terms by the reports.

Active engagement and co-operation with other regulators, particularly in the licensing and supervision of institutions, is another key ingredient in building confidence and trust in the work we are undertaking in Dubai. During 2007 we signed a further 16 bilateral Memoranda of Understanding with regulators from our region and beyond. These have included banking regulators of strategic importance to the DIFC including China, Malaysia, Turkey, Jordan and the four Federal banking regulators in the USA. These bilateral relationships (which now number 28) supplement our IOSCO multilateral MoU and provide a framework that enables us to respond effectively to requests for information and assistance from our counterparts. Several such responses were provided during 2007, including a number to assist enforcement actions by foreign regulators.

We have continued to augment these inter-agency relationships with a strong contribution to the work of regulatory standard setters. During 2007 we hosted annual meetings in Dubai of the Technical Committee of the IAIS and the Emerging Markets Committee of IOSCO. We regularly contributed to the work of both those bodies and also to the Joint Forum and the Islamic Financial Services Board. Whenever possible, we provided speakers for the many events sponsored by the regulatory community. For a relatively small organisation, our support for these activities is resource intensive and at times, difficult to manage. However, they also play their part in generating awareness of the DFSA's commitment to the principles and standards of regulation that are sponsored by these key bodies; and they enable our regulatory staff to stay in touch with evolving issues and to provide input to their resolution.

The DFSA no longer claims to be a new agency in the making. We have entered our fourth year as an established regulator with a strong network of international relationships and a rapidly expanding constituency of regulated firms.

## **EVOLUTION OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE**

During 2007 the number of entities licensed by the DFSA grew from 116 to 211, including 169 Authorised Firms. In addition we approved 28 applications by existing Firms to expand the scope of their licensed operations. This rate of growth has surpassed all of the business plan expectations of the DIFC and has been achieved without any relaxation of DFSA's licensing criteria.

In the markets area the year has been especially significant. First, the DFSA approved commencement of operations by Dubai Mercantile Exchange; which on 1 June launched the first sour crude deliverable futures contract from a market domiciled in the Middle East. This was followed in August by the formation of Borse Dubai, which soon thereafter announced a proposed tripartite cross-border affiliation with OMX and Nasdaq. And then in November, 23% of DP World Ltd was successfully floated on the DIFX, becoming the first Dubai-based enterprise to exclusively list its stock on that exchange.

In fact, the rate of the DIFC's growth over the past twelve months has surpassed the Centre's own expectations and has stretched supply capacity for office space and for experienced financial services staff. Despite this, the DIFC has successfully continued its strategy of launching new products (such as the Family Office initiative) and attracting professional and related services that are vital to the future of the Centre. Competition for regulatory staff has increased but I am pleased to say that we continued to attract high quality international regulators to the DFSA, as well as expanded our graduate training program for UAE nationals. This enabled us to fulfill all of the key components of our 2007 Business Plan, including some major policy initiatives which I mention below. We were assisted in meeting these objectives by effective management of operational risk and an active program of internal audit, resulting in another year of operating surplus.

None of this would have been possible without maintaining our commitment to risk-based regulation and ensuring that it informs the priorities of our daily work.

## **MAINTAINING OUR COMMITMENT TO RISK-BASED REGULATION**

In previous reports I have emphasised the importance we place on being a risk-based regulator. We prefer to focus on what this means in a practical context than to become distracted by debates about "principles versus rules" or "light touch versus prescription".

When regulators introduce or change compliance requirements, they inevitably entail costs for industry. The question needs to be asked: are these justifiable? A risk-based regulator will therefore seek to test the compliance obligation costs against the risks that will be mitigated.

It is not enough to identify that a risk exists. A truly risk-based regulator will ask: does this risk really necessitate our official intervention and, if so, is the cost of our proposed control mechanism proportionate to the mitigation of risk that will result?



Consistent with this approach, we have throughout 2007 introduced a number of changes to our rulebook that are deregulatory in nature, reflecting a reappraisal of the risk involved. Examples include reduced process for notifying intended securities offers from the DIFC; allowance for certain remote principal trading on the DME; the provision of generic advice; and streamlining the marketing of cross-border Islamic Funds between Malaysia and the DIFC. Other major policy initiatives have also been tested against risk-based principles including our new data collection regime, our insurance prudential and securitisation rules, and our Hedge Funds Code of Practice.

In December 2007, we released a Consultation Paper which proposes further changes to our regulatory regime, again driven primarily by our commitment to risk-based regulation. The paper contains some important changes to client classification rules within the DIFC which are, in part, designed to facilitate cross-border financial services transactions with Europe following the introduction of the Markets in Financial Instruments Directive. It also proposes acceptance of greater outsourcing of funds administration by Firms that operate collective investment funds in the Centre. The overwhelming theme of these proposals is the removal of regulatory barriers to business, and reduction in compliance burden, without lowering the Centre's conformity with accepted international principles of regulation.

In addition to these policy initiatives, we continued during 2007 to test our administrative practices against risk criteria, with a view to optimising our workplace efficiency. As a result, we dramatically reduced turnaround times for licencing applicants and Authorised Firms and redeployed our supervision resources to achieve better alignment with assessed risk. In 2008, we will undertake a further major review to determine whether additional improvement opportunities exist in areas of policy or administration.

## **CONCLUSION**

I believe 2007 has been an outstanding year for the DFSA, made possible by the hard work and support of many people. The Executive and staff have performed to a very high standard. The Board and its Committees have continued to provide guidance and support, which has been invaluable. The officials and staff of the DIFC Authority and the DIFC Courts have assisted us with many issues falling within their responsibility; and the Governor of the DIFC, His Excellency Dr Omar Bin Sulaiman, has consistently demonstrated his commitment to the central role of the DFSA as the independent regulator of financial services in the Centre. I thank them all.

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

## **PART ONE - WHO WE ARE**



The Dubai Financial Services Authority is the sole independent integrated regulator of all financial and ancillary services conducted through the Dubai International Financial Centre, a purpose-built financial free zone in Dubai. The DFSA's regulatory mandate covers asset management, banking, securities, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange.

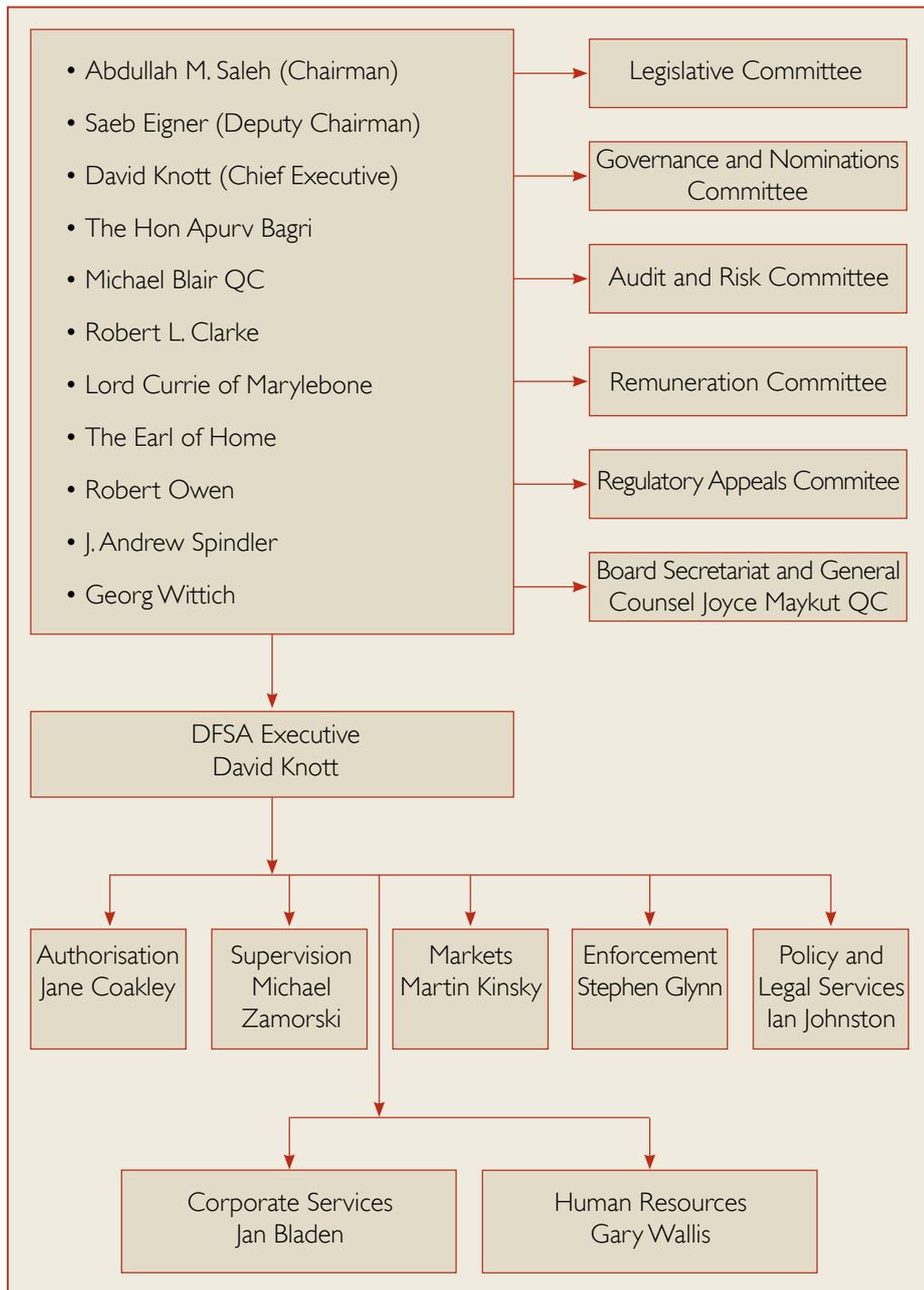
In discharging its regulatory mandate, the DFSA has a statutory obligation to pursue the following objectives:

- 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 may, from time-to-time, set under DIFC Law.

The DFSA has established, and strives to maintain, an environment that fosters the DIFC guiding principles of integrity, transparency and efficiency. It has done so by embedding uncompromisingly high standards in a clear, succinct and flexible regulatory framework based on international best practices relevant to a modern international financial centre. Applicable standards of the following international standard setting bodies underpin the DFSA's regulatory regime and approach to regulation:

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

# THE DFSA GOVERNANCE MODEL



## THE BOARD OF DIRECTORS OF THE DFSA



**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 which was recently formed by the merger of National Bank of Dubai (NBD) and Emirates Bank International (EBI) to become the largest banking entity in the Middle East. He was one of NBD's founders in 1963, and then the Managing Director from 1982 until January 2004 and thereafter Chairman from 2005 till the merger with EBI.

Mr Saleh is a former adviser on financial matters to the Late Ruler of Dubai, H.H. 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 & Industry (DCCI) and a Member of the DCCI Arbitration Committee. He has been a Member of the Board of Qatar Fuel Additives Company (QAFAC) since 1990 and has been Chairman of International Octane Limited (IOL) 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 as Deputy Chairman of the DFSA Board by the Directors on the appointment of Mr Saleh as Chairman. Mr Eigner is the Founder and President of Lonworld, a private finance, property and investment group. He is a Governor of London Business School, Founding and Serving Chairman of its Middle East Regional Advisory Board. Formerly a Senior Manager at ANZ Grindlays Bank PLC, in London, Mr Eigner headed the Middle East and Indian Sub-Continent division of the Private Bank, which he left to found Lonworld in 1992.

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



**David Knott** was appointed Chief Executive of the DFSA on 1 June 2005. Mr Knott joined the DFSA from Australia where he has held a number of senior regulatory positions. He served as Chairman of the national securities and companies regulator (ASIC) for a 3 year term expiring in December 2003. Previous roles in prudential supervision included CEO of the building societies and credit unions regulator (AFIC) and COO of the national banking, insurance and superannuation regulator (APRA). He also served as CEO of the Government-owned funds manager (CFM) and oversaw its privatisation. He was a Board member of the Australian Crime Commission, which has national responsibility for investigating organised crime.

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



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

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



**Michael Blair QC** specialises in financial services law and practice, having joined his Chambers in Gray's Inn, London in 2000. For 13 years before that he held successive senior positions in Regulation in the City of London, latterly as General Counsel to the Board of the Financial Services Authority. He is a Member of the Competition Appeal Tribunal, the President of the Guernsey Financial Services Tribunal and the Deputy Chairman of virt-x, the London arm of the Swiss Stock Exchange. He is the Master Treasurer of the Middle Temple, his Inn of Court, in its quatercentenary year 2008.

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



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

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



**Lord Currie of Marylebone** has wide ranging experience in financial services, public administration and the education sector. In addition to serving on the Board of the DFSA, he is Chairman of the Office of Communication (OFCOM), the new converged UK regulator for electronic communications. He was Dean of City University's Cass Business School, in the City of London from 2001 to 2007 and Deputy Dean at London Business School and a Non-Executive Director of the Abbey National, as well as serving on the Board of the Office of Gas and Electricity Markets (OFGEM), the UK energy regulator, and a variety of other Government bodies.

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



**The Earl of Home** was appointed a Director of the DFSA on 23 February 2005. He has been Chairman of Coutts & Co since 1 June 1999 and became Chairman of Coutts Bank (Switzerland) Ltd, on 8 March 2000. He was appointed Chairman of Grosvenor Group Limited on May 1st 2007. He has wide experience of the banking sector and, having joined Morgan Grenfell in 1966, was appointed Director of Morgan Grenfell & Co Ltd, (now Deutsche Securities Ltd) in 1972. He assumed responsibility for the international division of the bank in 1983. He was then appointed to a number of other international positions at Morgan Grenfell, becoming a Director of Morgan Grenfell Group PLC, in 1996 and Chairman of Deutsche Morgan Grenfell Group PLC, in 1999. Lord Home has held a number of non-executive and public positions including Director of the Agricultural Mortgage Corporation PLC, between 1980 and 1993, Chairman of Man Ltd, President of the British Malaysian Society (appointed in 2001) and Chairman of the Committee for Middle East Trade (retiring in 1992). He is an active Member of the House of Lords and was a front bench spokesman on Trade, Industry and Finance until 1998. Lord Home was educated at Oxford University.



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

Mr Owen was educated at Repton School and Oxford University.



**J. Andrew Spindler** is the President and CEO of the Financial Services Volunteer Corps (FSVC), a not-for-profit private-public partnership whose mission is to help build sound banking and financial systems in transition and emerging market countries. Prior to his appointment in 1993, Mr Spindler served as a Senior Vice President at the Federal Reserve Bank of New York, where he headed the Banking Studies and Analysis Function and Payments System Studies staff. While at the New York Fed, he helped develop the risk-based capital framework that has been adopted by bank supervisory authorities in most of the world's financial centres. He represented the New York Fed on the Basle Committee on Banking Supervision during 1991-93. Prior to joining the New York Fed in 1985, Mr Spindler held several international lending and strategic planning positions at the Continental Illinois Bank.

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



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

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

## DFSA GOVERNANCE AND ETHICS

The Regulatory Law provides that the DFSA shall be comprised of the Chairman of the DFSA, the DFSA Board of Directors, the Regulatory Appeals Committee and other Committees of the Board as may be duly appointed from time to time, the Financial Markets Tribunal and the Chief Executive and members of his staff.

### DFSA BOARD

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

As the preceding biographies indicate, the members of the DFSA Board are leading legal, business and regulatory experts drawn from major international financial jurisdictions. As directors of the DFSA Board, and in accordance with principles of good corporate governance, they are expected to exercise independent judgment in discharging their powers and functions.

### POWERS AND FUNCTIONS OF THE BOARD

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.

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

The Board currently consists of 11 Directors and all but the Chief Executive are independent non-Executive Directors. On 17 June 2007 Mr Saleh was appointed by His Highness Sheikh Mohammed bin Rashid Al Maktoum as Chairman of the DFSA and as Chairman of the Board on the expiration of the past Chairman Dr Habib Al Mulla's term of office.

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

The Board 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.

## **BOARD PERFORMANCE**

In line with international best practice, the Board appointed external consultants to provide an independent review and objective advice on the Board's performance and effectiveness for the 18 month period ending 31 December 2006. The comprehensive review, which began in early 2007, included an assessment of the effectiveness of the Board's structure, composition, functions, operations and processes. The assessment was generally positive but did identify some opportunities for improving board processes. The Board is committed to implementing the consultants' recommendations and to undertaking performance assessments on an annual cycle.

## ATTENDANCE FOR 2007 BOARD AND COMMITTEE MEETINGS

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	Regulatory Appeals Committee
Abdullah M. Saleh	5/6	2/3				
Saeb Eigner	6/6	6/6	6/6		6/6	
David Knott	6/6	6/6	6/6	6/6	6/6	
The Hon Apurv Bagri	6/6	6/6	6/6		6/6	
Michael Blair QC	6/6			6/6		1/1
Robert L. Clarke	6/6			6/6		1/1
Lord Currie of Marylebone	4/6		5/6		4/6	
The Earl of Home	5/6	5/6	5/6			
Robert Owen	6/6			6/6	6/6	1/1
J. Andrew Spindler	6/6	6/6	6/6		6/6	
Georg Wittich	6/6	3/3		6/6		1/1

## DFSA VALUES AND ETHICS

Committed to international best practice on every front, the DFSA has adopted values to guide its own operation. The DFSA Values, which are highlighted at the beginning of this report, reflect the core DIFC operating principles of Integrity, Transparency and Efficiency and are firmly embedded in the DFSA's Rules and Procedures and in the DFSA Code of Values and Ethics for employees.

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

Under the Code, employees and consultants:

- must declare on an annual basis their financial interests and those of their close associates;
- must give notice of any conflict of interest or of any situation which may be perceived as a conflict of interest;

- are prohibited from participating in any initial public offering (IPO) of securities listed on the Dubai International Financial Exchange (DIFX) and must seek prior clearance to deal in DIFX listed securities in the secondary market and in shares or investments of any regulated entity; and
- must give notice of gifts or benefits received in the course of carrying out their responsibilities.

The Code sets out core Values and Ethics that employees are expected to meet. These include:

- ethical and honest behaviour;
- prudence, care and diligence in the carrying out of our duties;
- treatment of others with impartiality, fairness, respect and courtesy;
- compliance with laws and with lawful and reasonable directions;
- maintenance of confidentiality;
- disclosure and avoidance of conflicts of interest (real or perceived);
- impartiality and professionalism in our decision making;
- no discrimination or harassment in the workplace or in the community;
- no improper use of information, or of position, in order to gain a benefit for themselves or for others; and
- no activity that does not uphold the values, ethics or reputation of the DFSA.

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

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

## DFSA BOARD COMMITTEES

### LEGISLATIVE COMMITTEE

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

#### Legislative Committee members are:

- Michael Blair QC - Chairman
- David Knott
- Ermanno Pascutto - External Committee Member
- Georg Wittich
- Ian Johnston
- Joyce Maykut QC
- Robert L. Clarke
- Robert Owen

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

### AUDIT AND RISK COMMITTEE

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 - Appointed as Committee Chairman effective 7 May 2007 on the standing down of Abdullah M. Saleh pending his appointment as Chairman of the Board.
- The Hon Apurv Bagri
- R. Douglas Dowie - External Committee Member
- Saeb Eigner
- J. Andrew Spindler
- Georg Wittich - Appointed effective 27 June 2007

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

A career international banker with Standard Chartered Bank, Mr Dowie's first assignment overseas took him to Aden in 1963 followed by assignments in the Middle East including Lebanon, where he graduated from the Middle East Centre for Arabic Studies. He subsequently served in Libya, Iran and several of the GCC states. Mr Dowie also served in the Far East with assignments in Hong Kong and Indonesia.

#### **GOVERNANCE AND NOMINATIONS COMMITTEE**

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

#### **Governance and Nominations Committee members are:**

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

## REMUNERATION COMMITTEE

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

### Remuneration Committee members are:

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

## REGULATORY APPEALS COMMITTEE

The Regulatory Appeals Committee (RAC) functions as an “internal” appeal mechanism for DFSA Executive regulatory decisions to ensure procedural fairness, objectivity and transparency. The law empowers the RAC to conduct a full merits review of Executive decisions under appeal. Decisions of the RAC may be reviewed by the DIFC Court by way of judicial review on a point of law.

### RAC members are:

- Robert Owen - Chairman
- Michael Blair QC
- Robert L. Clarke
- Georg Wittich
- R. Douglas Dowie - External Committee Member; appointed effective 1 October 2007
- John Holmes - External Committee Member; term expired on 24 October 2007
- William F. Kroener, III - External Committee Member; appointed effective 1 October 2007
- Ermanno Pascutto - External Committee Member; appointed effective 1 October 2007
- Nada Khneisser Zarka - External Committee Member; appointed effective 25 November 2007



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

John is admitted as a solicitor in England and Wales, Hong Kong and the Australian Capital Territories.

**William F. Kroener III** is counsel at Sullivan & Cromwell LLP, and practices from the firm's Washington DC and Los Angeles offices. His practice involves complex regulatory matters, governance, financings, mergers and acquisitions, and investigations involving regulated financial institutions. He served as General Counsel of the US Federal Deposit Insurance Corporation (FDIC) from 1995 until 2006 and served on the FDIC's Supervisory Appeals Committee from its inception until his departure from government service. Prior to his FDIC service he practiced law in New York City and Washington DC, specialising in banks and other regulated financial institutions, and also served on the board and headed the examining and audit committee of a New York bank. He speaks and writes regularly on financial regulatory topics and has taught as an adjunct professor at Stanford, George Washington and American University law schools. He has also been active in the banking and financial services committees of the American, City of New York, New York State and Federal bar associations and in the American Law Institute. He is listed as a leading lawyer in Banking Law in White's Best Lawyers in America.

Mr Kroener received JD and MBA degrees from Stanford and a bachelor's degree from Yale.

**Nada Khneisser Zarka** is a lawyer and current Head of Legal for the MENA region at GE money. She has 19 years of experience encompassing banking, civil and commercial laws in UAE, GCC countries and the Middle East. She started practicing law with Kanaan & Co as a litigation and transaction lawyer serving a spectrum of local and international clients. Then she took the challenge and joined an International life insurance company as legal counsel advising on various life insurance products and structures. To broaden her product knowledge in the insurance industry, she went to the Isle of Man for intensive insurance courses, which supported her advisory role in this specialist area and on unprecedented products in the local marketplace. In 1998 she joined a US-based international telecom company as legal counsel gaining substantial expertise in telecommunication regulation.

In 2000 she moved to a banking law practice advising on all legal and regulatory issues including highly complex and cross-border transactions. She has gained expertise in different banking products and documentation structure. She served as Head of Legal in Mashreq bank and ABN Amro bank, managing all legal matters ranging from advising, litigation, incorporation of branches, corporate governance, review of business cases and strategic plans in the MENA region from both the legal and regulatory perspective.

Mrs Zarka is an active member of the Emirates Banking Association providing legal advice in connection with proposed amendments to UAE laws and regulations.

### THE FINANCIAL MARKETS TRIBUNAL (FMT)

The Financial Markets Tribunal serves as an independent financial services disciplinary tribunal to determine breaches of DFSA administered legislation and related regulatory proceedings. It is broadly empowered with a remit and powers comparable to other international integrated financial services regulatory tribunals. The FMT is operationally independent of the DFSA Board and Executive. Decisions of the FMT may be appealed to the DIFC Court.

#### FMT members are:

- Stewart Boyd CBE QC - President
- John L. Douglas
- Gavan Griffith QC
- Ali Malek QC
- Hesham Al Qassimi
- 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 (FSA), UK. He has presided over a number of government and regulatory inquiries and has presided 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 4 Inns of Court in England with responsibility for legal education and other professional matters.

**John L. Douglas** heads the global bank regulatory practice at Paul, Hastings, Janofsky & Walker LLP, and practices from the firm's Washington DC and Atlanta offices. He served as General Counsel of the Federal Deposit Insurance Corporation (FDIC) from 1987 until 1989 and is a member of the Board of Directors of the FSVC, which is a non-profit organisation formed to assist former state-controlled economies develop their banking and capital markets systems. In that capacity he has provided advice to the governments of Russia, China, Indonesia, Egypt and others. His practice involves complex mergers, acquisitions and joint ventures, difficult regulatory enforcement activities and sensitive investigations. He served as

a member of the Board of Provident Financial Corporation (NYSE: PVN) and on its Audit and Corporate Governance Committees.

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

**Gavan Griffith QC** practices as a barrister and international chartered arbitrator in Melbourne and also at Essex Court Chambers, London. He was Solicitor-General of Australia from 1984 to 1997. He appeared as counsel and agent for Australia at the International Court of Justice. He has had various international appointments, including Leader of Australia's Delegation, and sometime Vice-Chairman, of the United Nations International Trade Law Commission (UNCITRAL) including in sessions for the adoption of UNCITRAL Model Law of International Commercial Arbitration at Vienna in 1985. He was Consultant Counsel to the United Nations New York 1994 to 1995. Amongst other appointments he was Leader of the Australian Delegation to The Hague Conference on Private International Law 1992-1998, Member, and sometime Chairman, of INTELSAT Panel of Legal Experts 1988 to 1997, and Member of the Permanent Court of Arbitration at The Hague 1987 to 1999. He is a Member of the Panel of Arbitrators at the International Centre for Settlement Investment Disputes (ICSID) and of various other arbitral institutions.

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

**Ali Malek QC** is a leading barrister in England and Wales specialising in all aspects of Commercial Law including Banking and Financial Services Law. He appears as counsel in cases in the UK Commercial Court, Court of Appeal, Privy Council and the House of Lords as well as in a number of substantial international arbitrations. He is a Bencher of the Honourable Society of Gray's Inn and a Recorder of the Crown Court. He is Treasurer of the Commercial Bar Association and a Member of the General Council of the Bar. He is also a co-author of Jack, Malek and Quest: Documentary Credits (3rd Edition).

Mr Malek QC obtained his MA and BCL at Keble College, Oxford University. He was called to the Bar in 1980 and appointed Queen's Counsel in 1996.

**Hesham Al Qassimi** has been the Chief Executive Officer and Director of the board of Dubai Real Estate Corporation (DREC) since its establishment in 2007. His business acumen and strategic initiatives made him a Director on the Board of



several prestigious organisations such as Amlak and the Financial Markets Tribunal.

Hesham Al Qassimi, who holds a Masters Degree in International Business, was also selected for the Mohammad Bin Rashid Programme for Leadership Development and he is a member of the “Young Arab Leaders”. Prior to taking charge at DREC, Al Qassimi was the GM, Commercial Banking at National Bank of Dubai. His position at NBD reflects his broad based experience in all aspects of the financial services business and his significant contributions to the growth of NBD’s Commercial Banking franchises. During his years with the bank, Al Qassimi closed major real estate deals and represented the bank in various international forums and committees.

**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 45 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 American Business Council of the Gulf Countries, 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.

The Financial Markets Tribunal held meetings in the DIFC on November 24 and 25, 2007 at which time the tribunal approved and formally made its Rules of Procedure. Members in attendance included Stewart Boyd QC, Gavan Griffith QC, Hesham Al Qassimi and David M. Stockwell.

## DFSA SENIOR MANAGEMENT

### David Knott - Chief Executive

Refer to section on Board of Directors



**Joyce Maykut QC - General Counsel and Secretary to the Board**, joined the DFSA in January 2004 as General Counsel after a 30 year legal career in the public and private sector in Canada. As General Counsel, Joyce is the DFSA's senior legal adviser heading up international relations and the Board Secretariat. She holds a Law Degree from the University of Alberta and was appointed Queen's Counsel in 1988. Joyce was Vice Chair of the British Columbia Securities Commission for 14 years prior to joining the DFSA and was active in the Canadian Securities Administrators, Council of Securities Regulators of the Americas, North American Securities Administrators Association and IOSCO.



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

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



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

Jane's education and qualifications include a BA degree in History (Trinity College, Washington DC including 1 year at St Anne's College, Oxford), an MSc in Finance and Accounting (London School of Economics and Political Science), an MBA (INSEAD, France) and the Certificate in Securities and Financial Derivatives from the Securities Institute in London.



**Michael Zamorski - Managing Director, Supervision**, joined the DFSA in April 2006 after a 29 year career with the US Federal Deposit Insurance Corporation (FDIC) to oversee Supervision of Authorised Firms within the DIFC. As FDIC's Director of the Division of Supervision and Consumer Protection, he was responsible for overseeing the FDIC's bank supervisory activities for safety and soundness, as well as compliance and consumer protection for the 5,200 institutions under its jurisdiction. Michael was a Member of the Basel Committee on Banking Supervision, the prudential standard-setter for large, internationally-active banks, from 2000 to 2006.

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 March 2006 as Managing Director, Markets and has overall responsibility for the DFSA's regulation of the DIFX, the DME and other future exchanges that may receive authorisation to operate within the DIFC. Martin was previously a Senior Executive at the Australian Stock Exchange (ASX). Over a career at the ASX spanning some 30 years, Martin has gained wide ranging experience of the operations of the Exchange. He has held various positions at the ASX including Company Secretary and General Counsel as well as managing the Membership / Intermediaries and Enforcement functions.

Martin holds a Bachelor of Law degree from Sydney University, is a solicitor and has had a long involvement with industry associations aimed at fostering and developing Commercial and Corporate Law communities in Australia.



**Stephen Glynn - Director, Enforcement**, has extensive experience in the regulation of financial and capital markets, financial services and products, and listed and unlisted corporate entities. Stephen's portfolio of responsibilities include enforcing obligations that apply to regulated entities in the DIFC, members of the DIFX and DME and Reporting Entities that list their products and make offers of securities in the DIFC.

Stephen was formerly employed in various senior positions with the Australian Securities and Investments Commission (ASIC). He is a forensic financial analyst and a former member of the Investigations Committee of the National Council of Certified Practising Accountants (CPA) Australia. He has extensive experience supervising deposit taking institutions, superannuation funds, general and life insurance providers, broking houses, financial advisers, managed fund providers and financial planners.



**Jan Bladen - Chief Operating Officer**, joined the DFSA in February 2005 as Director for Risk Management and Special Projects and was promoted to COO in June 2005. Prior to the DFSA, Jan spent 7 years with PricewaterhouseCoopers in both Geneva and Dubai as a Member of the Global Risk Management Practice. Jan has also held managerial positions in other European countries and spent 3 years as a management consultant with McKinsey Partners. From 1998 to 2003 Jan was President of Executives International, a Swiss-based business networking association of 300 members. In 2000 Jan was elected to the Committee of the British Swiss Chamber of Commerce and remains both a Councillor and Committee Member.

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



**Gary Wallis - Head of Human Resources**, joined the DFSA in March 2006 as Head of Human Resources. Gary has more than 25 years experience in Human Resources, including 8 years in the United Arab Emirates. Gary has previously worked for 9 years in the Financial Services industry including roles in Dubai with HSBC in a senior HR development role and ABN Amro as Regional Head of HR. He was also Global Head of HR for Private Clients and Asset Management for ABN Amro based in Amsterdam.

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



## **PART TWO - WHAT WE DO**



## THE DFSA REGULATORY STRUCTURE

The DFSA has established the following functional teams to assist it in discharging its regulatory mandate:

**The Authorisation Division** is responsible for considering applications to conduct financial and ancillary services in and from the DIFC. The Division authorises Firms and Individuals and registers Ancillary Service Providers and Auditors. The Division influences policy developments in the areas for which it is responsible and assists other DFSA departments where appropriate.

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

**The Markets Division** is responsible for authorising and supervising Market Institutions (AMIs) operating as exchanges or clearing houses in the DIFC. The Division is also responsible for recognising and supervising Bodies and Members of AMIs. It also supervises the conduct of Reporting Entities and is a contributor to the development of policy and changes to rules that relate to its supervisory portfolio.

**The Enforcement Division** is responsible for enforcing compliance with the laws and rules under the DFSA's administration. The Division uses a range of regulatory tools to protect investors and to prevent and deter misconduct that may damage the financial services industry and reputation of the DIFC. The Division also plays a proactive role in preventing financial market misconduct through education and outreach programs and provides assistance to international regulatory and enforcement agencies.

**The Policy and Legal Services Division** is responsible for policy advice and formulation, providing in-house legal advice and support to operating divisions of the DFSA and managing the business of the Policy and Rules and Waivers Committees. It is also responsible for developing and maintaining the laws and the DFSA rules, for which the DFSA is responsible, and for consulting with DIFCA on other DIFC legislation. The Division oversees and is responsible for Communications and Strategic Planning.

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



litigation. Within the Office, the Director of International Relations leads and co-ordinates the DFSA's role in all international matters. The Board Secretariat manages and co-ordinates all corporate secretary functions for the Board and each of its Committees.

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

**The Human Resources Division** is responsible for all aspects of employee resources at the DFSA, including the Tomorrow's Regulatory Leaders (TRL) Program.

## THE DFSA IN ACTION

Our regulatory regime has been tailor-made to suit the DIFC using the best examples from around the globe as our template. However, in keeping with the DFSA's vision to be an internationally respected regulator and role model for financial services regulation in the Middle East, we continuously monitor global regulatory developments to ensure we remain in the forefront of international best practice.

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

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

Our risk-based philosophy applies to all divisions of the DFSA and all our dealings with regulated entities. We believe that by focusing more on outcomes rather than the way they should be achieved, results in more effective and efficient risk-based regulation. This risk-based approach has guided the DFSA in its review of the 2007 / 2008 DFSA Business Plan and will continue to guide the DFSA in the development and implementation of future plans.

The DFSA also believes that it is appropriate to clearly and regularly state our approach to regulation to ensure it is clearly understood by all external and internal stakeholders.

Our **Approach to Regulation** together with the DFSA's **Vision, Mission and Values** form the foundation upon which we do our work.

## KEY CROSS-DIVISIONAL INITIATIVES

In 2007, the DFSA pursued two initiatives that merit separate mention because of their significance to the DFSA's strategic objectives and because every division was involved in committing significant resources and expertise to make each initiative a success.

### **TOMORROW'S REGULATORY LEADERS (TRL)**

TRL is a training and developmental program, designed by the DFSA, to create sustainable career opportunities for Emiratis in financial services regulation. It is a unique and world-class program designed to facilitate commitment in the transfer of knowledge and expertise from experienced international regulators to young Emiratis. The program is intended to enable sustainable employment opportunities for Emiratis in regulation within the DFSA and the wider region and to reduce over time the dependence on expatriate hiring's within a framework that ensures the continued credibility and reputation of the DFSA as a world-class regulator.

Launched in 2006, TRL remains a strategic priority for the DFSA. 2007 saw the 2 year rolling cycle of training and development grow to 9 full time TRL candidates - 4 second year and 5 first year candidates.

Although the Human Resources Department coordinates the roll-out of the TRL program, the effectiveness of the program depends on each division of the DFSA making a major contribution - whether through the preparation of materials and lectures or by providing training, coaching and mentoring to new and existing TRL graduates.

Consequently 2007 saw support for the TRL initiative increase, and of necessity to its success, become an integral part of each division's core activities. The DFSA expects this divisional commitment to continue for the next several years to achieve the objective of developing a future generation of world-class financial sector regulators within the UAE.

### **INTERNATIONAL MONETARY FUND (IMF) AND THE WORLD BANK FINANCIAL SECTOR ASSESSMENT PROGRAM (FSAP)**

In 2007, the DFSA and its regulatory regime came under robust scrutiny as part of the International Monetary Fund and the World Bank Financial System Stability Assessment Program of the UAE.

The DFSA received a highly positive assessment in the IMF Report from its team of experts. The FSAP involved a detailed assessment of the DFSA's observance of the objectives and principles of securities regulation developed by IOSCO.

The DFSA was fully assessed against conformity with 29 separate IOSCO principles. In 27 cases the DFSA was rated "fully implemented" which is the top possible rating. The remaining 2 cases were rated "broadly implemented" (the second highest rating) because the relevant Rules are more recent and insufficient time has been available to

fully demonstrate a track record of performance. However, the assessment was positive across all areas examined.

Although the IMF decided to restrict the formal FSAP to the DFSA's securities regime, the IMF teams reviewed our banking and insurance regimes as well as our Anti-Money Laundering and Counter Terrorist Financing regimes.

Significantly, the Report included an overall finding that: "The DFSA has established a very impressive set of laws, regulations and rules and policies and procedures for regulation. Its staff is well qualified and work to international best practice standards." In addition, the Report specifically commends the DFSA's commitment to act if laws and rules are violated as well as its commitment to information sharing through various Memoranda of Understanding.

The FSAP Report writers also observed that the DIFC should not be characterised as an offshore centre but rather as a future regional financial centre. The Report noted that the DIFC has well-defined regulatory and supervisory systems that are on par with other regional financial centres such as Singapore and Hong Kong.

These excellent results would not have been possible without the significant commitment of resources, expertise and dedication from each division of the DFSA. Preparation for the FSAP and engagement with the IMF teams was one of the more intensive but rewarding projects undertaken by the DFSA in 2007 and each division's contribution is reflected in the overall positive assessment.

# AUTHORISATION

## KEY ACHIEVEMENTS IN 2007

**Core activities** - 2007 was, like 2006, another busy year for Authorisation. The core function of processing applications for firms and individuals accounted for the majority of the activity of the Division, reflected in the fact that by mid-November the Division had licensed its 200th firm. The final part of our Business Improvement initiative (launched at the end of 2005), was the review of the quality and efficiency of the Authorisation Enquiries Unit. We implemented new processes to improve the quality of our service and efficiency in this area in May. Underlying all of our activity was a consistent set of objectives: to make the right authorisation decision, to deliver an efficient service to our applicants and to operate a fair and efficient authorisation process.

**Policy Initiatives** - Several important policy initiatives were completed in 2007 following full consultation with the DIFC financial services industry. The Division sponsored the initiative to reduce minimum capital requirements for insurers and we provided support to the development of a Code for Hedge Funds and the DFSA review of fees.

**Promoting understanding** - The Division engaged our main stakeholders to promote understanding of our approach to authorisation and our regulatory process. We participated in regulatory seminars in Dubai, Bahrain and Qatar and launched an initiative to improve the quality of applications. These initiatives remain work in progress and we look forward to continuing a constructive dialogue with applicants and their advisors in 2008.

**Training and Education** - The Division supports all training aimed at enhancing our professionalism, technical expertise and efficiency. Our focus in 2007 was Islamic Finance. All members of the Division completed the course work with a view to obtaining the Islamic Finance Qualification (IFQ) awarded by the IFQ Institute, a joint venture between the UK Securities and Investments Institute (SII) and Ecole Superieure des Affaires (ESA) in Lebanon. We also invited speakers from the industry to present on Islamic finance to gain a better understanding of this important topic from the perspective of the key players in the industry.

## 2007 STATISTICS

- 
- Authorised Firms - The annual increase in the number of Authorised Firms during 2007 was 72. (2006: 75 Firms authorised)
- 
- Registered ASPs - The annual increase in the number of Registered ASPs during 2007 was 17. (2006: 20 ASPs registered)
- 
- Registered Auditors - The annual increase in the number of Registered Auditors during 2007 was 5. (2006: one Auditor registered)
- 
- Authorised Individuals - The number of Individuals approved to perform one or more licensed functions during 2007 was 490. (2006: 345 Individuals authorised)
-

## SERVICE STANDARDS AND PERFORMANCE

Where we did not achieve the standard set out below, this was, typically, because we needed additional information to make the correct regulatory decision. In such cases, the need to make the right decision takes precedence over any service standard targets.

Standard	Target	Performance
To process an application for Authorisation to the "in principle" stage	within 50 business days of receipt	70%
To process an application for Auditor registration	within 30 business days of receipt	71%
To process an application for ASP registration	within 7 business days of receipt	78%
To process application for Authorised Individual status	within 5 business days of receipt	72%

## SUMMARY OF AUTHORISED AND REGISTERED FIRMS FOR 2007

The details of applications in progress remain confidential although all approvals (licences, registration and AI status) are published on the Public Register which can be found on the DFSA website. The full list of Firms Authorised or Registered during 2007 are set out in Appendices 6, 7 and 8.

# SUPERVISION

## KEY ACHIEVEMENTS IN 2007

**Risk Assessments and Variations of Licence** - The number of Authorised Firms rose from 99 at year-end 2006 to 169 in 2007 with much of our resources focused on the ongoing supervision of Firms. The Division carried out three themed reviews during the year focusing on Anti-Money Laundering and compliance with UN Sanctions Lists, the impact of sub-prime lending crisis on our Authorised Firms and an Ancillary Service Providers review to assess whether the former ASPs were exceeding the boundaries of unregulated services. These themed reviews were achieved ahead of schedule.

A number of on-site risk assessments were conducted during 2007 with risk mitigation programs implemented where necessary.

There continues to be an increase in Firms varying their scope of licence with 28 variations being implemented during 2007 - all were achieved within the required time frame. Many Firms continued to move from start-up to an active operating phase and thus sought enhancements to the scope of their licence reflecting the growing maturity of the business environment.

**Efficiency Drives** - The Division implemented a new Risk Assessment Process to allow a more efficient allocation of existing resources for lower risk Firms focusing on the activities of arranging and advising, without compromising our ability to effectively control risk. A review of our Trust Service Provider regime was carried out via benchmarking against another prominent regime which concluded that no amendments were needed to the DFSA regime. Significant effort was dedicated to completing the Business Improvement initiative culminating in a number of improvement opportunities achieved during the year.

**Electronic Prudential Reporting System (EPRS)** - The Division was principally responsible for developing and implementing a new electronic web-based data collection and dissemination framework, to facilitate analysis of prudential Firm activity and risk levels. This included the roll-out of appropriate training regarding EPRS for all Authorised Firms through our Outreach Programme.

**Promoting Understanding and Training** - The Division conducted 2 Anti-Money Laundering and Counter Terrorism Financing information sessions with Authorised Firms, Authorised Market Institutions and Ancillary Service Providers; 6 general education sessions via our increasingly popular Outreach Programme, which uses the theme of Learning from Experience and spoke on Islamic finance on behalf of the Securities and Investment Institute Seminar. The Division also supported the Complinet Education programme by giving speeches on the Conduct of Business (COB) and Collective Investment Funds as well as giving lectures on behalf of DIFX Academy on AML/CTF and COB regulation in conjunction with FINRA (formerly NASD), Complinet and the University of Reading to a GCC Grouping of Compliance and Risk Officers for a certification in Compliance and AML.

A number of the Supervision team are sitting the externally assessed Certified Anti-Money Laundering Specialist (ACAMS) exam and Islamic Finance Qualification Courses (IAQ). The Supervision team also participated in the standards-setting activities of the IAIS, representing the DFSA on the Technical Committee and other groups.

**Islamic Finance** - The Supervision Division launched the Islamic Finance Strategy Paper, which is a further development of the Islamic Finance regime, to facilitate the positioning of the DIFC as an international hub for Islamic Finance. In this area, Supervision played a key role with Policy and Legal in aligning our funds regime with that of the Malaysian Securities Commission to make it easier for Islamic instruments to be traded in both markets. Supervision also continued to be active in the work of the Islamic Financial Services Board and participated in working groups on market conduct and Shari'a Governance.

**Trends in performance of Authorised Firms** - Analysis of the data submitted by the Authorised Firms as part of their prudential returns indicate the following significant trends at an aggregate level.

- Authorised Firms are still in the growth phase, continuing to expand their business operations. Consequently, firms continue to face a high level of start-up costs, which in some cases has not produced immediate increase in revenues.
- The activity level of the Authorised Firms has grown sharply over 2007, in terms of revenue generation. The firms have also maintained the growth in asset base at past rates.
- Authorised Firms operating as branches in the DIFC continued to dominate the level of activity in the DIFC, measured in terms of total assets.
- Fee-based income forms a dominant share of revenues for all the Authorised Firms, of which asset managers and investment banks have performed well in generating revenues.
- Profit margins vary widely across firms, reflecting the differences in their competitive strength and industry trends.
- Staff-related costs continue to be the single largest cost driver for both branches and Domestic Firms.

## **ANTI-MONEY LAUNDERING (AML) AND COUNTER TERRORIST FINANCING (CTF)**

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

**Further Enhancements** - To further strengthen its AML/CTF regime, the DFSA in 2007 amended the Regulatory Law and DFSA Rulebook Guidance to include relevant references to terrorism financing and to highlight the importance of suspicious transaction reporting. The DFSA also issued new Guidance describing the criteria Firms should consider when identifying a charitable organisation as a client.

**UN Security Council (SC) Sanctions** - In early 2007, the DFSA advised its regulated firms of their obligations under UN SC Resolution 1267, which requires them to check and monitor whether they maintain or hold any accounts, funds, other financial assets, economic benefits and resources for individuals and entities associated with Al-Qaida, Osama bin Laden or the Taliban. If so, firms are required to provide details to the Anti-Money Laundering and Suspicious Cases Unit of the UAE (AMLSCU) and DFSA without delay. DFSA regulated firms were also checked for compliance with UN SC Resolutions 1737 and 1747, which concern sanctions on Iran for its non-compliance with the Treaty of Non-Proliferation of Nuclear Weapons. The DFSA reported that all DFSA regulated entities were in full compliance with UN SC Resolutions 1267, 1737 and 1747.

**2007 AML and CTF Theme Review** - During July 2007, the DFSA conducted a theme review testing Authorised Firms and Ancillary Service Providers on their implementation and management of AML and CTF procedures and controls with particular emphasis on Know Your Customer (KYC) processes, Suspicious Transaction Reporting (STR) processes and training. As part of this targeted exercise, the DFSA reviewed the level of compliance with UN SC Resolutions 1737, 1747 and 1267.

In general, the results, which were published in DFSA's first 'Dear CEO letter' were highly satisfactory with a substantial proportion of the 14 firms reviewed on-site being found to be in compliance with the required AML and CTF policies and procedures. All firms were found to be adhering to the requirements of the relevant resolutions.

**Suspicious Transactions Reports (STRs)** - In 2007, 13 STRs were filed by AFs and ASPs with the AMLSCU of the UAE with a copy sent to the DFSA; compared to 8 STRs filed in 2006 and in 2005.

**Training and Awareness** - The DFSA remains active in promoting AML/CTF awareness throughout the DIFC and continued to roll-out a number of training and information sessions to internal and external stakeholders in 2007.

# MARKETS

## KEY ACHIEVEMENTS IN 2007

The most significant undertaking of the Markets Division during the first half of the year was completing the assessment and subsequently approving the first AMI to operate a commodities derivatives exchange in the DIFC. The Dubai Mercantile Exchange (DME) was granted a licence to operate an AMI in the DIFC on 26 April 2007. It commenced trading on 1 June 2007, offering a physically deliverable sour crude oil futures contract, the first of its kind in the GCC region, and two financially settled spread contracts. An application from NYMEX to have its Recognised Body Status extended to permit it to clear and settle DME trades was also approved. The DME is a joint venture project between NYMEX, Tatweer (a wholly owned subsidiary of Dubai Holdings) and Oman Investment Fund.

The Division also approved changes in control of the DIFX from DIFCA to DIFC Investments LLC and then to Borse Dubai Limited.

At year's end, there were 29 Reporting Entities supervised by the Markets Division.

**Exchange Supervision** - In addition to its ongoing supervision of the DIFX, the Markets Division commenced its supervision of the DME in mid 2007. To minimise risk and maximise efficiency, the Division developed a consolidated risk-based supervision plan for its supervision of both exchanges.

During the year the Division worked closely with the DIFX on a number of operational issues including proposed enhancements to its Rules and two 'Change in Control' notifications and completed a thematic review of DIFX in respect of certain AMI requirements. The Division also worked closely with the DME on operational and market issues since the commencement of trading on 1 June 2007. The Division monitored the disclosures of Reporting Entities and actively engaged with them to ensure appropriate disclosures were made.

**Recognised Bodies and Recognised Members** - A Recognised Body is either 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 applicants head office is situated. During the year, the Markets Division recognised the exchanges, Eurex Frankfurt AG, and the Chicago Mercantile Exchange bringing the total number of Recognised Bodies to five. See Appendix 5.

Recognised Members are members of an Authorised Market Institution who have no physical presence in the DIFC. The Markets Division recognised 77 applications from firms seeking membership on the DME, 40 of these were approved prior to the DME commencing trading on 1 June 2007.

The Markets Division also recognised 1 application from a Firm seeking membership on the DIFX. There are now 14 Recognised Members on the DIFX. The total number of

recognised members of DFSA regulated AMI's is now 91. A list of the members of DME and DIFX recognised in 2007 is contained in Appendix 5.

**Risk-Based Initiatives** - Due to the increased interest in obtaining Recognised Member status, the Markets Division completed a review of the operation of the Recognition Module of the DFSA Rulebook. This resulted in amendments that facilitate principal trading by remote members in commodities derivatives on an AMI licensed to operate a market in Commodities Derivatives. This included publishing on the DFSA public website an enhanced Application form for Recognised Member status, AFN RECI.

This also led to a review of the General Module in the DFSA rulebook, in particular its application to principal commodity traders in the DIFC. As a result, further guidance was provided for persons seeking to conduct business as a member only on their own account in commodity derivatives on that AMI. Four such modifications were granted during the year. To facilitate such applications, a Request for Modification form was made available on the DFSA public website.

A review of the Offered Securities Rules was also conducted. This resulted in an amendment and the addition of guidance relating to the Offers of Securities from the DIFC. This rule amendment now requires Offerors to advise the DFSA, within a prescribed time period, of details of Offers that are made, rather than those intended to be made. It also now requires Offerors to insert a disclaimer on the Offer document which states that the document has not been reviewed or approved by the DFSA.

**Promoting Understanding** - In the current climate of exchange consolidation and globalisation of markets generally, the Markets Division developed closer links with several international market regulators. On a local level, Markets engaged with UAE regulatory agencies to discuss mutual operational issues.

## 2007 STATISTICS

• Market Institutions Authorised	1
• Members Recognised	78
• Bodies Recognised	2
• DIFX Listings Decisions reviewed	22
• Disclosure notifications to DIFX (delegate of DFSA)	534
• Notifications of Securities Offers from the DIFC	4

# ENFORCEMENT

## KEY ACHIEVEMENTS IN 2007

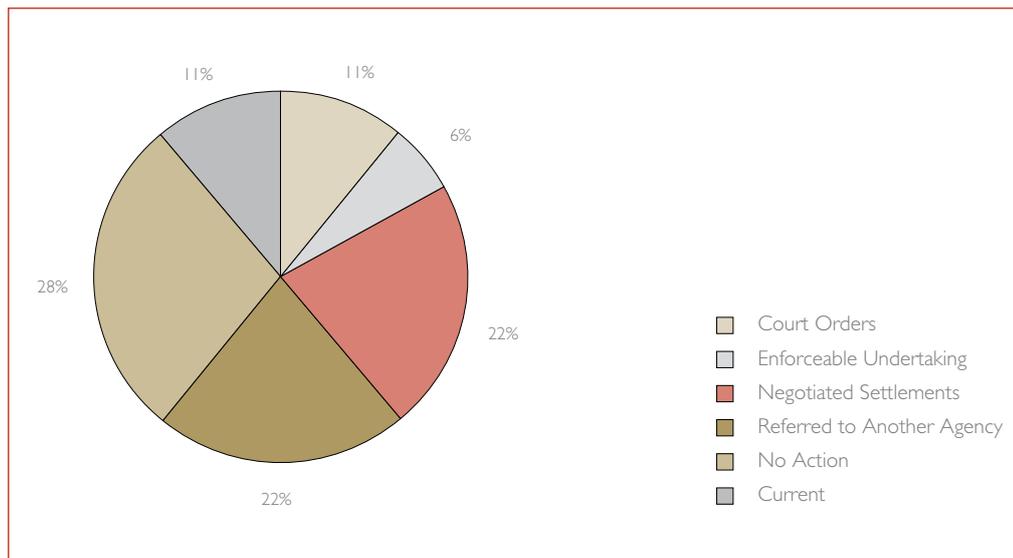
The Enforcement Division continued to make effective use of a variety of regulatory tools - court injunctions, enforceable undertakings, censures, negotiated settlements and enforcement alerts - to achieve its regulatory objectives for 2007. A statistical summary of the enforcement results for the year is reflected in Table I.

## 2007 STATISTICS

In 2007 the Division:

- obtained DIFC Court permanent injunctions against the operators of Enduam Asset Management for falsely representing that it was regulated in the DIFC.
- obtained DIFC Court injunctions against eight respondents for their participation in the fictitious Dubai Options Exchange and United Arab Emirates Commodities Futures Board. The permanent injunctions closed the fraudulent scheme that had raised hundreds of thousands of dollars from investors around the world. The successful outcome was due in part to the cooperation and investigative assistance received from the Australian Securities and Investments Commission, Malaysian Securities Commission and the Singapore Monetary Authority. It also led to the Malaysian Securities Commission initiating their first money laundering prosecution.
- obtained DIFC Court injunctions against the operators of the Euro-America Index, a business involved in a fraudulent investment scheme operating in the DIFC.
- obtained Enforceable Undertakings from Vanita Chatterbhoj and Sweta Nayar for knowingly misrepresenting the terms of financial products to their clients inducing them to invest to their detriment. Each was banned from participating in the DIFC financial services industry for three and six years, respectively. Ms Nayar also received an administrative censure for knowingly obstructing the DFSA during the course of an investigation.
- obtained an Enforceable Undertaking from Rupert Neil Bumfrey regarding his conduct in the promotion of the First Persian Equity Fund Limited in the DIFC. Mr Bumfrey agreed not to participate in the DIFC financial services industry for one year.
- accepted the voluntary withdrawal of the licenses of Forsyth Partners Global Distributors Limited (and its subsidiary Forsyth Partners Middle East Limited) after it failed to meet and remedy applicable regulatory capital requirements.
- issued several Enforcement Alerts to inform investors about emerging investment scams and unauthorised financial services activities in the DIFC.

**TABLE I - ENFORCEMENT RESULTS**



**Promoting Understanding** - Education remains a key tool in combating market misconduct. The Enforcement Division lent its expertise to the following fora during 2007:

- GCC Regulator's Summit
- ME Fraud & Financial Crime Forum
- ME Financial Services Summit
- IAIFA [Intl Assoc Ins Fraud Agencies]
- Symposium on Economic Crime
- Association of Certified Fraud Examiners
- Economic Crime Conference
- GCC Regulation and Compliance Conference
- Financial Markets Tribunal
- Combating Financial Crime

## POLICY AND LEGAL SERVICES

### KEY ACHIEVEMENTS IN 2007

The Policy & Legal Services Division drove a number of policy initiatives during 2007. These included the Hedge Fund Code of Practice, changes to our requirements on the giving of generic advice and, the fees policy of the DFSA.

The Division constantly reviews developments in industry and regulation globally to ensure our regime is up-to-date. To this end, the Division developed the DFSA's Key Policy Review, announced in December. The review contains proposals to free up and improve our collective investments regime and proposals to allow firms which must comply with the European Union's Markets in Financial Instruments Directive, to meet the DFSA's requirements.

As part of the Consultation Paper giving effect to this, the DFSA proposed widening the potential client base for DIFC Firms. At the time of writing this report, these proposals are out for consultation and are contained in Consultation Paper 52, which can be found on the DFSA website.

The Division developed a number of other policy proposals during 2007 which are detailed in the list of Consultation Papers below.

The Division provided legal advice and support to regulatory divisions throughout the year and strongly assisted the work of the DFSA in meeting international standards and developing the External Prudential Reporting System.

The Rules and Waivers Committee of the DFSA is managed by the Division. The Committee met 42 times and dealt with 110 Waiver applications. A list of Waivers granted is on the DFSA website.

The following Consultation Papers were written and published on the DFSA website during 2007.

- Consultation Paper No. 52 Proposed Key Policy Review
- Consultation Paper No. 51 Proposals Relating to Offers of Securities from the DIFC
- Consultation Paper No. 50 Proposed Hedge Fund Code of Practice
- Consultation Paper No. 49 Proposals Relating to Fees
- Consultation Paper No. 48 Proposals to Facilitate Certain Types of Advising and Arranging
- Consultation Paper No. 47 Proposals Relating to Insurance Securitisation
- Consultation Paper No. 46 Proposals to Implement an Electronic Prudential Reporting System
- Consultation Paper No. 45 Proposals to Refine the Definition of "Related Parties"

- Consultation Paper No. 44 Proposals Relating to Direct Long-Term Insurance, Credit Insurance and Group Supervision
- Consultation Paper No. 43 Amendments Concerning the Financial Markets Tribunal and Regulatory Appeals Committee
- Consultation Paper No. 42 Proposed Enhancements to the DFSA Rulebook to Meet International Best Practice Standards

As a consequence the following Laws were enacted:

- DIFC Laws Amendment Law 2007: DIFC Law No. 2 of 2007 on 15 February 2007
- Regulatory Law Amendment Law, DIFC Law No. 3 of 2007 on 27 May 2007

Related rule amendments were also made in 2007.

## COMMUNICATIONS AND STRATEGIC PLANNING

The Communications & Strategic Planning (C&SP) unit co-ordinates the agency's strategic development and planning, and is responsible for communicating the DFSA's objectives and achievements. The unit gained momentum in 2007, leading on from the approval of the communication strategy by the Board of Directors. A process re-engineering project also kicked off, with improved processes already yielding results.

The team implemented a strategy for publications, as well as for the media, both of which stem from the communication strategy. The publication strategy drove the issuing of a number of new publications. *The DFSA in Action* is a bi-annual publication which was developed towards the end of the year and focuses on updating key stakeholders on the activities of the DFSA, as well as discussing key regulatory issues. A new range of corporate leaflets was under production towards year-end, further increasing the DFSA's stakeholder reach. *13th Story* is an internal publication, published every two months, which focuses on building a culture of participation and performance within the DFSA.

The unit has significantly increased both local and international media coverage on the DFSA and its activities.

## OFFICE OF GENERAL COUNSEL

### KEY ACHIEVEMENTS IN 2007

2007 was, for the most part, business as usual in terms of General Counsel advising the Board of Directors and its committees and the Executive on legal matters affecting the DFSA. However, two matters successfully concluded by year-end merit specific note. The first concerns the DFSA's contribution to the DIFC's bi-annual financial free zone report required under Federal Law No. 8 of 2004, regarding the Financial Free Zones in the United Arab Emirates. The second concerns Consultation Paper No. 43 Amendments Concerning the Financial Markets Tribunal and Regulatory Appeals Committee and the related Rules of Procedure. Both reflect the DFSA's commitment to transparency, accountability and efficiency.

## INTERNATIONAL RELATIONS

Strong co-operative and information sharing relationships with international regulatory and enforcement counterparts is critical to the integrity and effective regulation of the financial services industry in the DIFC. The strength of these relationships also depends on International Relations working closely with all DFSA Divisions to co-ordinate and provide the information and assistance required. Consequently, this strategic objective and core function of International Relations continued to be accorded a high priority resulting in a very successful 2007.

Particular emphasis was given to negotiating bilateral arrangements with key Islamic Finance regulators and US banking supervisors. In March 2007, the DFSA signed a Memorandum of Understanding (MoU) concerning development of international Islamic Finance markets with Bank Negara, the Central Bank of Malaysia. At the same time, the DFSA and Securities Commission of Malaysia signed a mutual recognition agreement to facilitate cross-border distribution of Islamic investment products between the DIFC and Malaysia.

In October 2007 the DFSA signed a historic agreement with four federal US agencies principally responsible for banking supervision in the United States - the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. The comprehensive statement of cooperation was a first for a regulator from the Middle East and reflects the attraction of the DIFC as the Middle East domicile of choice for US financial institutions. The initiative, which adopted the model for information sharing developed by the Basel Committee on Banking Supervision, follows similar arrangements the DFSA has with other significant banking supervisors (UK and Germany) and reflects the DFSA's commitment to international standards of cooperation regarding prudential oversight and inspections.



2007 also saw the department advance the DFSA's strong commitment to international standard setting bodies.

As a member of the IOSCO Emerging Markets Committee (EMC), the DFSA successfully hosted the EMC's annual meeting over four days in early December. With some 80 members, the EMC is IOSCO's largest committee, representing securities regulators from each of the four IOSCO regional committees and including every member of the Africa and Middle East Regional Committee. The event, which included extensive meetings of the EMC's five technical working groups, a full day EMC plenary session and two public panel sessions, canvassed several key issues relevant to securities markets in emerging markets.

As a member of the IOSCO EMC, the DFSA also participated in the work of the Implementation Taskforce, the principal working group dealing with assessment of international principles for securities regulators.

The DFSA hosted the International Association of Insurance Supervisors (IAIS) tri-annual meeting in 2007 with over 200 international insurance regulators and supervisors from over 50 countries attending to discuss key regulatory and industry developments. The DFSA has accepted an invitation to become a Member of the Technical Committee of the IAIS and has contributed to a number of IAIS sub-committees, including an initiative to establish a multilateral MoU for the insurance sector. The DFSA is also an Associate Member of the Islamic Financial Services Board and an Observer member of the Accounting and Auditing Standards Organisation for Islamic Financial Institutions (AAOIFI).

In addition, the DFSA welcomed and briefed over 25 visiting foreign delegations.

## MoUs SIGNED IN 2007

China	China Banking Regulatory Commission
Greece	Hellenic Capital Market Commission (HCMC)
Guernsey	Financial Services Commission (FSC)
Iceland	Financial Supervisory Authority
Jordan	Central Bank of Jordan
Japan	Financial Services Agency
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)
Malaysia	Bank Negara
Netherlands	Authority for the Financial Markets (AFM)
New Zealand	New Zealand Securities Commission
Switzerland	Swiss Federal Banking Commission (SBFC)
Turkey	Banking Regulation and Supervision Board (BDDK)
United States	US Banking Supervisors
	<ul style="list-style-type: none"><li>• The Federal Reserve</li><li>• The Office of the Comptroller of the Currency (OCC)</li><li>• The Federal Deposit Insurance Corporation (FDIC)</li><li>• The Office of Thrift Supervision (OTS)</li></ul>

# CORPORATE SERVICES AND OPERATIONS

## HUMAN RESOURCES (HR)

The HR Department has driven the roll-out of the first full year of the Tomorrow's Regulatory Leaders (TRL) Program. In the first full year of the program we have delivered 44 modules of 2 days or more each and involved 41 trainers and 23 coaches. We are now in the second year of the program with a greater emphasis on Trainees acquiring external qualifications, and on the job learning. We have also started with our second batch of trainees joining the program.

We have further refined our Performance Management process and enhanced the overall quality of staff performance through focus on employee's Key Performance Indicators.

In an extremely tight recruitment market we have continued to focus on the highest quality of candidates from other first class regulators who will add both short and long term value to the DFSA. In this context, and in response to our management risk assessment, we have introduced our Succession Planning Process.

We have also begun a major review of our policies and processes with a focus on improving clarity and effectiveness. This will lead to an audit of the HR function in the first quarter of 2008.

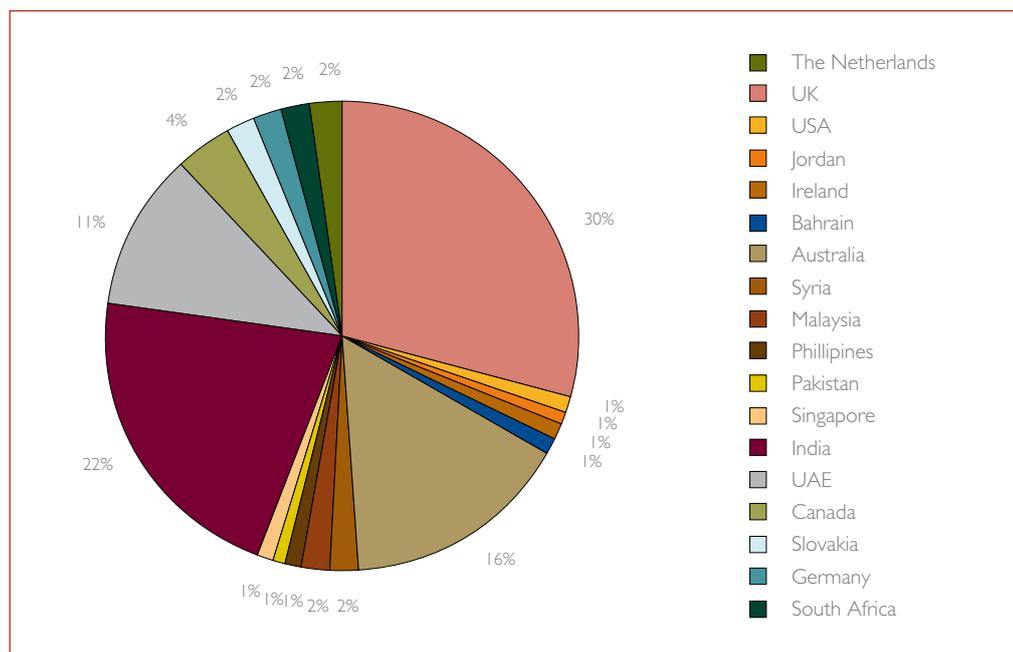
### 2007 STATISTICS

Tomorrow's Regulatory Leaders: Graduate Intake	5 (4 in 2006)
Tomorrow's Regulatory Leaders: Scholarships	2 (2 in 2006)
Number of employees	110 (99 in 2006)
• International	98 (91 in 2006)
• Emiratis	12 (8 in 2006)
Turnover	22.72% (12% in 2006)
• Regulators	24.5% (5% in 2006)
• Non-regulators	20.6% (18% in 2006)

In a year of strong competition internationally for compliance staff, staff turnover (at 22%) was higher than desired, as a number of our regulatory of employees moved to private industry, both within the DIFC and outside. Our turnover also resulted from our robust management of employee performance and through expatriates returning to their home countries.

To mitigate the impact of this turnover we introduced a retention program to ensure the retention of those employees considered critical to the long term success of the DFSA. This program has thus far proved successful.

## NATIONALITY CHART



## PROJECTS AND RISK MANAGEMENT DEPARTMENT

The Projects and Risk Management Department continued to drive business process improvement reviews throughout the organisation so as to improve the DFSA's processes and service standards. During 2007, process improvement reviews were completed within both the Supervision and Finance Departments. Reviews were also initiated in the Human Resources and Communications and Strategic Planning Departments and are expected to be completed in the first quarter of 2008.

Project Management played a key role in cross-departmental projects throughout 2007. The Department successfully managed the preparation for the 2007 FSAP and FATF reviews that were conducted by the International Monetary Fund (IMF). The Department was also responsible for managing the Data Collection and Dissemination Framework (DCDF) project which facilitates the electronic submission of quarterly and annual financial returns from Authorised Firms.

As in 2006, the Annual Risk Management Workshop was conducted in which numerous risks were identified for the DFSA and remediation controls were designed accordingly. The Department will continue to monitor the implementation of controls in 2008 and will in turn, conduct another Annual Risk Management workshop.

A critical aspect of ensuring that the DFSA effectively copes with the response to and recovery from emergencies is the design of a Business Continuity Plan (BCP). A BCP has been designed and rolled out to DFSA Staff in 2007 and will be updated on an annual basis or as and when required.

The DFSA considers Health, Safety and Environment (HSE) of prime importance. As a result, the DFSA has issued and implemented effective HSE policies and procedures in order to prevent and/or minimise the impact of HSE issues and incidents. Twelve members of DFSA staff have been certified in First Aid / CPR, and are available to staff both on-site and off-site in the event of an emergency.

Various Internal Audit activities have taken place within the DFSA to report on the effectiveness of operations, governance structures and overall compliance with best business practices. Using third party internal auditors, the Internal Audit activities that were coordinated in 2007 include an audit of the DFSA's Risk Identification Process, IT Department, Health and Safety and IT Security Controls (including Penetration Testing).

## INFORMATION TECHNOLOGY (IT) DEPARTMENT

Since January 2007, the IT Department has delivered over 18 projects and initiatives while also improving the back-end infrastructure and overall security of the IT system environment. The DFSA IT Steering Committee has ensured continued governance and business alignment by regularly meeting on all DFSA-wide IT initiatives. In addition, the department has also greatly improved its strategic planning, budgeting and risk awareness by participating in all DFSA run risk workshops to date.

Some of the successfully completed projects during 2007 have included;

- Electronic Prudential Reporting System (live from January 2008)
- Implementation of business continuity measures
- Implementation of higher security for accessing e-mail
- Implementation of a remote desktop, accessible from any global location with internet
- Solution to disable the plugging in of unsafe external devices on computers
- IT Department audit against international best practise by third party auditors
- External penetration tests conducted by third party auditors
- Uninterruptible power supply for the DFSA office floor
- Implementation of a centralised e-mail archiving system

- Implementation of an intrusion detection and prevention system
- Implementation of a proxy server and anti-spyware device
- Implementation of an improved anti-spam solution
- MS Office and computer upgrades
- Continuous improvement on the IT network and back-end infrastructure
- Unified Access Control system

**Electronic Prudential Reporting System (EPRS)** - The solution, which enables electronic form submissions from firms, will allow full statistical analysis / manipulation of submitted data for the DFSA to produce customised reports for internal and Central Bank reporting. The finalised solution will go live at the beginning of 2008.

**Intrusion Detection and Prevention System (IDP)** - The IDP system ensures that any external attempts to hack or intrude in to the DFSA internal network will result in automatic countermeasures and the IT Department being alerted. In addition, the system stores a full audit log to ensure that any malicious attempts are recorded for analysis and review.

**IT Department Audit** - The Department audit covered the 10 main areas of "GCC" (General Computer Controls) based on the international framework standard "COBIT" (Control Objectives for Information and related Technology). The conclusion was that the DFSA's IT Department conforms to international best practise in its processes, controls, infrastructure and strategy.

**External Penetration Tests** - An "External Network Penetration Testing" exercise was conducted to test the DFSA's security measures by third party auditors. The results concluded that there were no breaches of security despite several weeks of penetration tests to the DFSA by automatic hacking systems and skilled IT Security experts from a variety of global locations.

**E-mail Archiving Solution** - The project was implemented to ensure that e-mails are stored centrally and are easily retrieved via a core management system. Data and storage will be easier to manage as a result of the new solution.

**Remote Access Security** - This project was implemented to deliver a means for DFSA staff to work remotely from home, while travelling, or in the event of a business continuity scenario. The solution uses an encrypted connection and a randomly generated number changing key to ensure that the connection adheres to the very strictest security measures.

**Desktop Security** - A solution designed to safeguard and control the use of removable memory sticks, and other external devices that could cause a security breach, was successfully implemented.

**Business Continuity Planning (BCP)** - As a subset of the overall DFSA-wide BCP initiative, the IT Department ensured that the necessary support hardware and equipment are all in place and ready for use in the event of a disaster. A mobile office was set up consisting of laptop computers with full system connectivity, satellite phones, hand-held radios and other required devices. An additional telephone exchange device was also installed to ensure that all incoming calls could be diverted to a pre-recorded (and re-recordable) outgoing message. Another line was also made available to handle information that internal staff could access by calling a special hotline number.

The IT Department has continued to improve and strengthen the future capacity and robustness of its data storage, infrastructure, disaster recovery and security. This groundwork will be further improved during the forthcoming year which has been scheduled to reflect both 'business as usual' activities and the future growth requirements of the DFSA.

## OFFICE ADMINISTRATION DEPARTMENT

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 also ensured that adequate administration support was available to all DFSA staff.

The safety of all DFSA staff and visitors continued to be a major priority for the DFSA. Therefore, the Department ensured that the existing Fire Systems and Emergency First Aid equipment were regularly monitored, serviced and routine inspections and testing was carried out as per the guidelines set by the Civil Defense Authority. Regular updates to the official DFSA Emergency Guide were circulated to all DFSA staff.

In order to be able to handle the increased volume of calls received, a new version of the Siemens computer based phone system was successfully integrated into our current phone system. The implementation has since significantly improved the services provided to external guests of the DFSA.

The required additional structural refurbishment work to create additional storage space and an ablution area were completed. Routine maintenance work was also carried on a regular basis to ensure safety and improve the quality and functionality of environment.

## FINANCE DEPARTMENT

The Finance Department successfully ensured that the financial statements be presented in accordance with the accounting policies set out by the DFSA. The Division has been responsible for budgeting, MIS reporting, fee invoicing, maintaining books of accounts, preparing financial statements, cash and bank management, payroll processing, procurement of goods and services and maintaining the fixed assets register. All the functions were successfully carried out in a timely manner.

The books of accounts and the annual audit for the financial year 2006 were completed within a month's time from the closure of the financial year. The audit report was presented to the Board of Directors in its meeting held in January 2007 and was approved by the Board in the same meeting.

During 2007, the team updated the Finance policies manual and mapped all the processes being carried out by Finance. Finance policies manual was approved by the DFSA Audit and Risk Committee. All the process improvements were communicated to the relevant departments by issuing change memos. This exercise helped the team to improve operational efficiencies, reduce transactions processing time and establish tighter internal controls.

The Board was given reports of the actual financial performance of the DFSA at its regular meetings during the year. Due to careful financial management, the DFSA was able to control its expenditure within the approved budget.

## 2007 KEY PERFORMANCE STATISTICS

### THE DFSA IN ACTION IN 2007

• Firms Authorised	72
- Islamic Institutions	5
- Firms with an Islamic Window	2
• Individuals Authorised	490
• Ancillary Service Providers Registered	17
• Auditors Registered	5
• Market Institutions Authorised	1
• Members Recognised	78
• Bodies Recognised	2
• MoUs signed	16
• Enforcement Actions Initiated	8
• Consultation Papers Issued	11
• New Reporting Entities	14

### AUTHORISATION IN 2007

• Total number of applications received	90
• Applications processed within 50 business days	70%
• Applications in progress	37
• Applications withdrawn	7
• Applications rejected	0

### SUPERVISION IN 2007

• Risk Assessments of Authorised Firms	85
• Average processing time (business days)	16
• Licence Variations	28
• Average processing time (business days)	14

## MARKETS IN 2007

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• AMI applications approved (Application approved within 9 months)	1
• Recognised member applications approved (5 “in principle”) (70% processed within 6 weeks)	83
• Recognised Body applications approved (Applications approved in 3 months)	2
• DIFX Listings Documents and Decisions reviewed (87% processed within 5 business days)	22

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## POLICY AND LEGAL SERVICES IN 2007

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• Consultation Papers (Policy, Laws & Rules) published	11
• Proposals substantially agreed in consultation	95%
• Laws enacted	2
• Rule making instruments made	17
• Waivers & Modifications applications	110
• Waivers & Modifications granted	80

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## ENFORCEMENT IN 2007

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• Enforcement actions	8
• Routine investigations completed within 3 months	100%
• Complex investigations completed within 6 months	100%
• Enforceable Undertakings	3
• DIFC Court Injunctions	4
• Enforcement Alerts Published	3

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#### OFFICE OF GENERAL COUNSEL IN 2007

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• MoUs signed	16
• Foreign delegation visits and briefings	>25

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#### FINANCE IN 2007

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• Statutory accounting and reporting obligations received and published unqualified auditors' report on time	100% compliance
• Financial performance within approved operating budget	100% compliance
• 2007 surplus as % of total expenditure	13.54 %
• 2007 surplus as % of total income	11.92 %

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#### REGULATORY APPEALS COMMITTEE

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• RAC Appeals	0
• RAC Rules of Procedure	Made December 2007

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#### FINANCIAL MARKETS TRIBUNAL

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• FMT Proceedings	0
• FMT Rules of Procedure	Made December 2007

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## **APPENDICES**



## APPENDIX I

### DUBAI FINANCIAL SERVICES AUTHORITY

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	Pages
Independent auditor's report	68
Balance sheet	70
Statement of financial performance	71
Statement of changes in equity	72
Cash flow statement	73
Notes to the financial statements	75

## 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 2007 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 6 and 7 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 75 and 76 of the financial statements.

**PricewaterhouseCoopers**  
**Dubai, United Arab Emirates**  
**7 February 2008**

**BALANCE SHEET**

		31 December			
	Notes	2007		2006	
		AED'000	US\$'000	AED'000	US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	3	10,792	2,939	14,739	4,015
Intangible assets	4	2,543	693	1,493	407
		13,335	3,632	16,232	4,422
<b>Current assets</b>					
Prepayments and other receivables	5	9,419	2,569	8,419	2,294
Cash and cash equivalents	6	82,908	22,59	71,617	19,514
		92,327	25,160	80,036	21,808
<b>Total assets</b>		<b>105,662</b>	<b>28,792</b>	<b>96,268</b>	<b>26,230</b>
<b>EQUITY</b>					
<b>Contributed capital and reserves</b>					
Contributed capital	2	28,341	7,725	24,904	6,788
Accumulated surplus		23,593	6,428	30,110	8,202
<b>Total equity</b>		<b>51,934</b>	<b>14,153</b>	<b>55,014</b>	<b>14,990</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Provision for employees' end of service benefits	7	6,285	1,712	4,030	1,098
<b>CURRENT LIABILITIES</b>					
<b>Non-current liabilities</b>					
Creditors, accruals and other liabilities	8	15,212	4,145	9,675	2,636
Funds received in advance from Government	2	32,231	8,782	27,549	7,506
		47,443	12,927	37,224	10,142
<b>Total liabilities</b>		<b>53,728</b>	<b>14,639</b>	<b>41,254</b>	<b>11,240</b>
<b>Total equity and liabilities</b>		<b>105,662</b>	<b>28,792</b>	<b>96,268</b>	<b>26,230</b>

These financial statements were approved by the DFSA Board on 7 February 2008.

Signed on behalf of the DFSA Board

	Notes	Year ended 31 December			
		2007		2006	
		AED'000	US\$'000	AED'000	US\$'000
Appropriations from the	2	106,759	29,089	98,725	26,900
Government Fee income	2	20,845	5,680	14,734	4,015
Interest income		2,421	660	1,541	420
<b>Total Income</b>		130,025	35,429	115,000	31,335
General and administration expenses	9	(102,450)	(27,915)	(80,276)	(21,874)
Board of Directors' expenses	11	(12,072)	(3,288)	(10,495)	(2,859)
<b>Total expenses</b>		(114,522)	(31,203)	(90,771)	(24,733)
Surplus for the year		15,503	4,226	24,229	6,602

## 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 2006</b>						
At 1 January 2006	18,319	4,994	5,881	1,600	24,200	6,594
Additional capital contributed (Note 2)	6,585	1,794	-	-	6,585	1,794
Surplus for the year	-	-	24,229	6,602	24,229	6,602
<b>At 31 December 2006</b>	<b>24,904</b>	<b>6,788</b>	<b>30,110</b>	<b>8,202</b>	<b>55,014</b>	<b>14,990</b>
<b>Year ended 31 December 2007</b>						
At 1 January 2007	24,904	6,788	30,110	8,202	55,014	14,990
Additional capital contributed (Note 2)	3,437	937	-	-	3,437	937
Remittance to Government (Note 13)	-	-	(22,020)	(6,000)	(22,020)	(6,000)
Surplus for the year	-	-	15,503	4,226	15,503	4,226
<b>At 31 December 2007</b>	<b>28,341</b>	<b>7,725</b>	<b>23,593</b>	<b>6,428</b>	<b>51,934</b>	<b>14,153</b>

## CASH FLOW STATEMENT

	Notes	Year ended 31 December			
		2007		2006	
Operating activities		AED'000	US\$'000	AED'000	US\$'000
Surplus for the year		15,503	4,226	24,229	6,602
Adjustments for the following items:					
Depreciation	3	5,477	1,493	4,364	1,190
Amortisation	4	758	207	528	144
Loss on sale of property and equipment		4	1	30	8
Provision for employees' end of service benefits	7	3,285	895	2,505	683
Interest income		(2,421)	(660)	(1,541)	(420)
Operating cash flows before payment of employees' end of service benefits and movements in working capital		22,606	6,162	30,115	8,207
Payment of employees' end of service benefits	7	(1,030)	(281)	(358)	(98)
Changes in working capital :					
Prepayments and other receivables	5	(793)	(219)	(3,711)	(1,012)
Creditors, accruals and other liabilities	8	5,537	1,509	(24,594)	(6,702)
<b>Net cash provided by operating activities</b>		<b>26,320</b>	<b>7,171</b>	<b>1,452</b>	<b>395</b>
Investing activities					
Purchase of property and equipment	3	(1,618)	(441)	(5,818)	(1,585)
Proceeds from sale of property and equipment		-	-	3	1
Purchase of intangible assets	4	(1,819)	(496)	(767)	(209)
Adjustments to property and intangible assets	3,4	95	26		
<b>Net cash used in investing activities</b>		<b>(3,342)</b>	<b>(911)</b>	<b>(6,582)</b>	<b>(1,793)</b>

	Notes	Year ended 31 December			
		2007		2006	
		AED'000	US\$'000	AED'000	US\$'000
<b>Financing activities</b>					
Interest received		2,214	604	1,477	403
Additional contributed capital		3,437	937	6,585	1,794
Remittance to Government		(22,020)	(6,000)	-	-
Funds received in advance from Government	2	4,682	1,276	27,549	7,506
<b>Net cash (used in)/provided by financing activities</b>		<b>(11,687)</b>	<b>(3,183)</b>	<b>35,611</b>	<b>9,703</b>
<b>Net increase in cash and cash equivalents</b>		<b>11,291</b>	<b>3,077</b>	<b>30,481</b>	<b>8,305</b>
Cash and cash equivalents, beginning of the year	6	71,617	19,514	41,136	11,209
<b>Cash and cash equivalents, end of the year</b>	<b>6</b>	<b>82,908</b>	<b>22,591</b>	<b>71,617</b>	<b>19,514</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **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 adopted in the preparation of these financial statements are as follows:

#### **BASIS OF PREPARATION**

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

The functional currency of the DFSA, being the currency in which the majority of its transactions are denominated, is the UAE Dirhams (AED). For presentation purposes only, these financial statements have also been translated into US Dollars at the fixed rate of exchange of US Dollar 1 = AED 3.67.

#### **FEE INCOME**

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

#### **CONTRIBUTED CAPITAL AND APPROPRIATIONS FROM THE GOVERNMENT**

Funds received from the Government towards the acquisition of property and equipment and intangible assets are treated as contributed capital and those received for meeting budgeted operational expenditure for the year are recognised in the statement of financial performance as appropriations from the Government. Funds received from the Government for the following year are treated as funds received in advance and reflected under current liabilities.

## 2 ACCOUNTING POLICIES (CONTINUED)

### EMPLOYEE BENEFITS

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

Provision is made for the full amount of end of service benefits due to non-UAE nationals, in accordance with the Employment Law – DIFC Law No. (4) of 2005, for their periods of service up to the balance sheet date. This provision is included in non-current liabilities. Pension contributions in respect of UAE nationals under a defined contribution scheme are recognised as an expense in the period to which they relate.

### 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:

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

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying amounts of the assets disposed 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.

### INTANGIBLE ASSETS

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

### FEES RECEIVABLE

Fees receivable are carried at anticipated realisable value. Provision for impairment 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 ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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 2007**  
(CONTINUED)

**3 PROPERTY AND EQUIPMENT**

In AED'000	Leasehold improvements	Fixtures and fittings	Office equipment	Computer equipment	Motor vehicles	Capital work in progress	Total
<b>Cost</b>							
At 1 January 2007	13,441	3,981	752	3,803	229	-	22,206
Additions	221	41	194	853	-	309	1,618
Adjustment	(84)	-	-	-	-	-	(84)
Disposals	-	(14)	(5)	(8)	-	-	(27)
At 31 December 2007	13,578	4,008	941	4,648	229	309	23,713
<b>Depreciation</b>							
At 1 January 2007	3,922	1,835	334	1,268	108	-	7,467
Charge for the year	2,690	1,283	210	1,218	76	-	5,477
Disposals	-	(11)	(5)	(7)	-	-	(23)
At 31 December 2007	6,612	3,107	539	2,479	184	-	12,921
<b>Net book amount</b>							
At 31 December 2007	6,966	901	402	2,169	45	309	10,792
At 31 December 2006	9,519	2,146	418	2,535	121	-	14,739

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

**3 PROPERTY AND EQUIPMENT (CONTINUED)**

	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 2007	3,663	1,086	205	1,035	62	-	6,051
Additions	60	11	53	233	-	84	441
Adjustment	(23)	-	-	-	-	-	(23)
Disposals	-	(4)	(1)	(2)	-	-	(7)
At 31 December 2007	3,700	1,093	257	1,266	62	84	6,462
<b>Depreciation</b>							
At 1 January 2007	1,066	502	92	346	30	-	2,036
Charge for the year	733	350	57	332	21	-	1,493
Disposals	-	(3)	(1)	(2)	-	-	(6)
At 31 December 2007	1,799	849	148	676	51	-	3,523
<b>Net book amount</b>							
At 31 December 2007	1,901	244	109	590	11	84	2,939
At 31 December 2006	2,597	584	113	689	32	-	4,015

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

**4 INTANGIBLE ASSETS**

<b>Cost</b>	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
At 1 January	2,134	582	1,019	278
Additions	1,819	496	767	209
Adjustment	(11)	(3)	-	-
Transfer from capital work in progress	-	-	348	95
<b>At 31 December</b>	<b>3,942</b>	<b>1,075</b>	<b>2,134</b>	<b>582</b>
<b>Amortisation</b>				
At 1 January	641	175	113	31
Amortisation	758	207	528	144
<b>At 31 December</b>	<b>1,399</b>	<b>382</b>	<b>641</b>	<b>175</b>
<b>Net book amount at 31 December</b>	<b>2,543</b>	<b>693</b>	<b>1,493</b>	<b>407</b>

**5 PREPAYMENTS AND OTHER RECEIVABLES**

	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
Prepayments	8,405	2,291	7,429	2,024
Other receivables	530	146	65	18
Staff advances	484	132	925	252
	<b>9,419</b>	<b>2,569</b>	<b>8,419</b>	<b>2,294</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

**6 CASH AND CASH EQUIVALENTS**

	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
Cash in hand	4	1	2	1
Current account with bank	8,036	2,190	37,484	10,213
Short term fixed deposits	74,868	20,400	34,131	9,300
	82,908	22,591	71,617	19,514

All bank balances are held with a bank licenced in the UAE. The year end interest rate on short term fixed deposits was 4.58% (2006: 4.89%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

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

	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
At the beginning of the year	4,030	1,098	1,883	513
Provision made during the year (see below)	3,285	895	2,505	683
Payments during the year	(1,030)	(281)	(358)	(98)
At the end of the year	6,285	1,712	4,030	1,098

The provision made during the year is charged as follows:

	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
Staff costs (Note 10)	3,226	879	2,483	677
Other board expenses	59	16	22	6
	3,285	895	2,505	683

**8 CREDITORS, ACCRUALS AND OTHER LIABILITIES**

	2007 AED'000	2007 US\$'000	2007 AED'000	2007 US\$'000
Trade creditors	2,780	757	1,898	517
Employee related accruals	979	267	619	169
Other accruals	1,395	380	1,250	341
Payable to a Government authority	2,829	771	116	31
Fee income received in advance	7,229	1,970	5,792	1,578
	15,212	4,145	9,675	2,636

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

**9 GENERAL AND ADMINISTRATION EXPENSES**

	Year ended 31 December 2007		Year ended 31 December 2006	
	AED'000	US\$'000	AED'000	US\$'000
Staff costs (Note 10)	78,859	21,488	60,346	16,444
Depreciation (Note 3)	5,477	1,493	4,364	1,190
Recruitment costs	3,444	938	2,872	783
Office rent	3,227	879	4,679	1,275
Training, conferences and seminars	2,765	754	2,016	549
Legal, consultancy and professional fees	2,320	632	1,521	414
Communication costs	1,086	296	714	195
Marketing expenses	952	259	975	266
Amortisation (Note 4)	758	207	528	144
Vehicle maintenance	104	28	48	13
Finance cost	65	18	65	18
Loss on disposal of property and equipment	4	1	30	8
Other expenses	3,389	922	2,118	575
	102,450	27,915	80,276	21,874

**10 STAFF COSTS**

	Year ended 31 December 2007		Year ended 31 December 2006	
	AED'000	US\$'000	AED'000	US\$'000
Salaries	46,865	12,770	37,330	10,172
Other benefits	28,768	7,839	20,533	5,595
Employees' end of service benefits (Note 7)	3,226	879	2,483	677
	78,859	21,488	60,346	16,444

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**  
(CONTINUED)

**I I BOARD OF DIRECTORS' EXPENSES**

	Year ended 31 December 2007		Year ended 31 December 2006	
	AED'000	US\$'000	AED'000	US\$'000
Retainer fees	4,247	1,157	4,119	1,122
Attendance fees	2,368	645	2,332	635
Travelling	1,705	464	1,618	441
Others	3,752	1,022	2,426	661
	12,072	3,288	10,495	2,859

**I 2 OPERATING LEASE COMMITMENTS**

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

	Year ended 31 December 2007		Year ended 31 December 2006	
	AED'000	US\$'000	AED'000	US\$'000
Not later than 1 year	6,960	1,896	3,754	1,023
Later than 1 year and no later than 5 years	13,920	3,793	7,508	2,046
	20,880	5,689	11,262	3,069

**I 3 REMITTANCE TO GOVERNMENT**

At the meeting of the Board of Directors held on 31 January 2007, the Board approved the remittance to the Government of Dubai of AED22,020,000 (US\$6,000,000) from accumulated surplus. Accordingly, this amount has been reflected as remittance to Government in the statement of changes in equity.

At the meeting of the Board of Directors held on 7 February 2008, the Board approved the remittance to the Government of Dubai of AED12,478,000 (US\$3,400,000) from accumulated surplus. Accordingly, the remittance will be reflected in the financial statements of the DFSA for the year ending 31 December 2008.

## APPENDIX 2

### BOARD AND SENIOR OFFICERS REMUNERATION DISCLOSURE

The following table sets forth the total remuneration received or due and receivable for the fiscal year ended December 31, 2007 and December 31, 2006 by the Board and Senior Officers of the DFSA.

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

Remuneration bands	2007 Board Members	2006 Board Members
Amounts in US\$		
\$100,001 to \$150,000	1	3
\$150,001 to \$200,000	8	7
\$200,001 to \$250,000	2	0
\$250,001 to \$300,000	0	1
	11	11
	2007	2006
	(\$)	(\$)
The aggregate amount of total remuneration of non executive members of the Board shown above:	1,943,837	1,866,150

#### 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 2007 were US\$79,406 (Chairman US\$250,000). Board meeting attendance fees were US\$5,775 per meeting (Chairman US\$11,550).
- 3 Committee membership fees during 2007 were US\$5,775 per Committee (Committee Chairman fee US\$11,550). Committee meeting attendance fees were US\$2,310 per meeting.
- 4 The Chairman of the DFSA does not receive fees for membership of Committees or for attendance at Committee meetings. The Chief Executive of the DFSA does not receive fees for membership of the Board or its Committees or for attendance at Board meetings or Committee meetings.

## REMUNERATION OF THE CHIEF EXECUTIVE AND SENIOR OFFICERS:

### Remuneration bands

Amounts in US\$	2007 Executives	2006 Executives
\$100,001 to \$100,000	0	2
\$150,001 to \$200,000	1	1
\$200,001 to \$300,000	0	3
\$250,001 to \$400,000	10	7
\$400,001 to \$800,000	8	5
> \$800,000	1	1
	20	19
	2007	2006
	\$	\$
The aggregate amount of total remuneration of executives shown above:	9,839,813	7,168,858
Executives remuneration included in the above comprised:		
	2007	2007
	\$	\$
Salaries and Performance Bonuses	7,665,938	5,627,966
Other emoluments and benefits	2,173,875	1,540,892

### NOTES:

- Salaries and bonuses are pro-rated based on actual duration of service during the year.
- Other emoluments and benefits include housing allowance, flight allowance, education allowance, premium paid for medical & life insurance and end of service accrual for the year 2007.

## APPENDIX 3

### MEMORANDA OF UNDERSTANDING

#### MULTILATERAL MoU

IOSCO

#### BILATERAL MoUs

Australia	Australian Securities & Investments Commission (ASIC)
Channel Islands	Guernsey Financial Services Authority (GFSA)
Channel Islands	Jersey Financial Services Commission (JFSC)
China	China Banking Regulatory Commission (CBRC)
Egypt	Capital Market Authority (CMA)
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Greece	Hellenic Capital Market Commission (HCMC)
Iceland	Financial Supervisory Authority of Iceland
Isle of Man	Financial Services Commission (FSC)
Isle of Man	Insurance and Pensions Authority (IPA)
Japan	Financial Services Agency (FSA)
Jordan	Central Bank of Jordan
Jordan	Insurance Commission (IC)
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)
Malaysia	Securities Commission (SC)
Malaysia	Bank Negara Malaysia (Central Bank)
Netherlands	Authority for the Financial Markets (AFM)
South Korea	Financial Supervisory Service
Switzerland	Swiss Federal Banking Commission (SFBC)
Thailand	Securities and Exchange Commission (SEC)
Turkey	Banking Regulation and Supervision Agency of Turkey (BRSA)



Turkey	Capital Markets Board (CMB)
United Arab Emirates	Dubai Police
United Arab Emirates	The Public Prosecution (Dubai)
United Arab Emirates	Emirates Securities and Commodities Authority
United Kingdom	Financial Services Authority (FSA)
United States	Commodities and Futures Trading Commission (CFTC)
United States	Federal Deposit Insurance Corporation (FDIC)
United States	Federal Reserve
United States	Office of the Comptroller of the Currency (OCC)
United States	Office of Thrift Supervision (OTS)

## APPENDIX 4

### LEGISLATION RELEVANT TO THE DIFC

#### FEDERAL LAW

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An amendment to the UAE Constitution

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

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

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Cabinet Resolution No. 28 of 2007 On the Implementing Regulations of Federal Law No. 8 of 2004 Concerning Financial Free Zones

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#### DUBAI LAW

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

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

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#### DIFC LAWS

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Arbitration Law

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Collective Investment Law

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Companies Law

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Contract Law

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Data Protection Law

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DIFC Court Law

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Employment Law

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General Partnership Law

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Insolvency Law

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Investment Trust Law

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Law of Damages and Remedies

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Law of Implied Terms in Contract and Unfair Terms

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Law of Obligations

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Law of Security

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Law on the Application of Civil and Commercial Laws

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Law Regulating Islamic Financial Business

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Law Relating to the Application of DIFC Laws

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Limited Liability Partnership Law

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Limited Partnership Law

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Markets Law

---

Personal Property Law

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Regulatory Law

---

Strata Title Law

---

Trust Law

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#### **RULEBOOK MODULES (DFSA RULES)**

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Ancillary Service Providers (ASP)

---

Anti-Money Laundering (AML)

---

Authorisation (AUT)

---

Authorised Markets Institution (AMI)

---

Collective Investment Rules (CIR)

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Conduct of Business (COB)

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Enforcement (ENF)

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Fees Rules (FER)

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General (GEN)

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Glossary (GLO)

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Islamic Finance (ISF)

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Offered Securities Rules (OSR)

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Price Stabilisation (PRS)

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Prudential Insurance (PIN)

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Prudential Investment, Insurance Intermediation and Banking Business (PIB)

---

Recognition (REC)

---

Supervision (SUP)

---

Takeovers (TKO)

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**SOURCE BOOK MODULES (Guidance and Forms)**

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Application Forms and Notices (AFN)

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Prudential Returns (PRU)

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## APPENDIX 5

### MEMBERS OF AMI'S RECOGNISED IN 2007

AAA Capital Management Advisors Ltd (USA)	DRW Commodities LLC (USA)
Abu Dhabi Commercial Bank PJSC (UAE)	Eagle Seven LLC (USA) (Newedge Financial Inc)
ADM Investor Services Inc (USA)	FCStone LLC (USA)
All Energy Trading BV (The Netherlands)	Fenner & Smith Incorporated (USA)
Allston Capital LLC (USA)	Fimat USA LLC (USA) [Now named Newedge LLC (USA)]
Arbuthnot Securities Limited (UK)* <sup>1</sup>	Flow Traders BV (The Netherlands)
Arctos Capital Limited (USA)	Fortis Clearing Americas LLC (USA)
ASTMAX Co Ltd (Japan)	Geneva Ireland Financial Trading Ltd (Ireland)
Bear, Stearns Securities Corp (USA)	Geneva Trading USA LLC (USA)* <sup>2</sup>
Bell Trading Inc (USA)	George E. Warren Corporation (USA)
Bluefin Energy LLC (USA)	Glencore Commodities Ltd (UK)
BNP Paribas Commodity Futures Inc (USA)	Goldman, Sachs & Co (USA)
Breakwater Trading LLC (USA)	GS Energy Partners LLC (USA)
Calyon Financial Inc (USA) [Now named Newedge Financial Inc]	Hess Energy Trading Co LLC (USA)
Casa Trading Limited (USA)	HSBC Securities (USA) Inc (USA)
Cheiron Trading LLC (USA)	Hudson Capital Energy LLC (USA)
China National United Oil Corporation (China)	Infinium Capital Management LLC (USA)
Citadel Derivatives Group LLC (USA)	J P Morgan Futures Inc (USA)
Citigroup Global Markets Inc (USA)	Jebel Tariq Trading DMCC (UAE)
Commodities LLC (USA)	Jump Trading LLC (USA)
Credit Suisse Securities (USA) LLC (USA)	Kempler & Co Inc (USA)

\*<sup>1</sup> DIFX Recognised Member  
All other Recognised Members are members of the DME

Lehman Brothers Inc (USA)	RJ O'Brien & Associates Inc (USA)
Madison Tyler Trading LLC (USA)	Rand Financial Services Inc (USA)
Man Financial Inc (USA)	Ronin Capital LLC (USA)
Marquette Partners LP (USA)	Rosenthal Collins Group LLC (USA)
MBF Clearing Corporation (USA)	Spire Master Fund Ltd (USA)* <sup>2</sup>
Mercuria Energy Trading SA* <sup>2</sup> (Switzerland)	Sterling Commodities Corp (USA)
Merrill Lynch Commodities Inc (UK)	Sun Trading LLC (USA)
Merrill Lynch, Pierce,	The Kyte Group Limited (UK)
Mizuho Securities USA Inc (USA)	TOTSA Total Oil Trading S A* <sup>2</sup> (Switzerland)
Morgan Stanley & Co Incorporated (USA)	TradeLink LLC (USA)
Morgan Stanley Capital Group Inc (USA)	Trafigura Derivatives Ltd (UK)
Now named Newedge LLC (USA)	Triland USA Inc (USA)
Optiver US LLC (USA)	UBS Securities LLC (USA)
Orion Brokers DMCC (UAE)	Univest Brokerage LLC (UAE)
Panther Energy Trading LLC (USA)	Vitol Asia PTE Ltd (Singapore)
Petraco Oil Company Ltd (Guernsey)	Vitol SA (Switzerland)
Phibro LLC (USA)	Wolverine Trading, LLC (USA)
Pioneer Futures Inc (USA)	Zone Energy Group Inc (USA)
Prudential Bache	

#### **BODIES RECOGNISED IN 2007**

Eurex Frankfurt AG

Chicago Mercantile Exchange Inc

The Recognition of New York Mercantile Exchange Inc was extended during 2007

\*<sup>2</sup> Recognition subsequently revoked at request of member

## APPENDIX 6

### AUTHORISED FIRMS LICENCED IN 2007

Assicurazioni Generali S.p.A	17 December
Toscafund Global Limited	16 December
Wedge Alternatives Limited	16 December
SinoGulf (DIFC) Limited	13 December
ING Investment Management (Dubai) Limited	9 December
WaqfTrust Services Limited	6 December
Société Générale Bank & Trust	5 December
MAC Capital	27 November
ES Bankers (Dubai) Limited	27 November
Menafactors Limited	27 November
Gulf National Securities Centre International Limited	18 November
Antarctica Asset Management (Middle East) Limited	12 November
HSBC Middle East Leasing Partnership	8 November
Tokio Marine Middle East Limited	6 November
GAM (Dubai) Limited	28 October
Daman Quattro Limited	18 October
HDG Mansur (Dubai) Limited	10 October
Makaseb Islamic Capital Limited	27 September
Fimat International Banque SA	25 September
Flagstone Underwriters Middle East Limited	24 September
Menafactors Limited	16 September
Kaupthing Bank hf	13 September
Millennium Private Equity Limited	13 September
Leebrook Global Investments Limited	12 September

T&F Tax and Finance (DIFC) Limited	06 September
Commerzbank AG	02 September
Gilford Securities Inc	29 August
Louvre Fund Advisors (Middle East) Limited	02 August
Rasmala CBD Asset Management Limited	02 August
The Bank of Tokyo Mitsubishi UFJ Limited	30 July
Gugenheim Capital Markets LLC	29 July
Ernst & Young Corporate Finance Limited	25 July
Tabarak Partners LLP	25 July
MFS International Limited	24 July
Killik & Co LLP	12 July
Pioneer Investcorp International Limited	11 July
Alliance Specialty Underwriters Limited	10 July
Mirabaud (Middle East) Limited	21 June
MENA Financial Group Limited	19 June
Gulf Fund Management Limited	18 June
Mizuho Corporate Bank Limited	30 May
Calyon	27 May
Arqaam Capital Limited	23 May
elseco Limited	23 May
GFS Investments (Middle East) Limited	17 May
Schroder Investment Management Limited	17 May
Alternative Investment Strategies Management (Dubai) Limited	06 May
Wallich & Matthes (Dubai) Limited	19 April
Daiwa Securities SMBC Europe Limited	11 April
VP Wealth Management (Middle East) Limited	05 April

AIG Global Investment Corp (Middle East) Limited	04 April
Axis Bank Limited	01 April
Daman Securities International Limited	29 March
Al-Arabi Capital Limited	20 March
Lancashire Market Services (Middle East) Limited	19 March
Unicontrol Commodity Finance Limited	01 March
Baer Capital Partners International Limited	25 February
MIF (Middle East) Limited	25 February
Goodhealth Worldwide Limited	14 February
Commander Asset Management Limited	08 February
Tufton Oceanic (Middle East) Limited	06 February
Convergence Capital Limited	04 February
Merrill Lynch International	14 January
ETRADE Securities Limited	11 January
Duke Equity Limited	08 January
Lucros Capital Advisors Limited	08 January
Allianz SE	03 January

## APPENDIX 7

### ANCILLARY SERVICE PROVIDERS REGISTERED IN 2007

Lawrence Graham LLP	11 November
Patton Boggs LLP	5 November
Brandford-Griffith & Associés	4 November
Gibson, Dunn & Crutcher LLP	4 November
Allied Gulf Lawyers LLP	27 September
Dixon & Co LLP	24 September
Lawrence Graham LLP	11 September
Norton Rose (Middle East) LLP	29 August
Simmons & Simmons	13 June
Denton Wilde Sapte & Co	13 June
Lovells (Middle East) LLP	09 May
Linklaters LLP	02 May
Reed Smith Richards Butler LLP	23 April
Mandviwalla & Zafar LLP	23 April
Clifford Chance LLP	17 April
King & Spalding LLP	31 January
Herbert Smith LLP	31 January

## APPENDIX 8

### AUDITORS REGISTERED IN 2007

Moore Stephens Chartered Accountants	06 February
Russell Bedford (Dubai) Ltd	05 February
Ashok Kapur & Associates Ltd	28 January
AGN MAK Limited	15 January
Grant Thornton LLP	15 January

## APPENDIX 9

### GLOSSARY

Accounting and Auditing Organisation for Islamic Financial Institutions	AAOIFI
Ancillary Service Provider	ASP
Anti-Money Laundering	AML
Anti-Money Laundering Suspicious Cases Unit	AMLSCU
Authorised Firm	AF
Authorised Market Institution	AMI
Bank for International Settlements	BIS
Business Continuity Plan	BCP
Conduct of Business	COB
Counter Terrorist Financing	CTF
Data Collection and Dissemination Frame Work	DCDF
DIFC Authority	DIFCA
Dubai Financial Services Authority	DFSA
Dubai International Financial Centre	DIFC
Dubai International Financial Exchange	DIFX
Dubai Mercantile Exchange	DME
Electronic Prudential Reporting System	EPRS
Financial Action Task Force	FATF
Financial Markets Tribunal	FMT
Financial System Stability Assessment Program	FSAP
Gulf Co-operative Council	GCC
Health, Safety and Environment	HSE
International Accounting Standards Board	IASB
International Association of Insurance Supervisors	IAIS
International Monetary Fund	IMF
Islamic Financial Services Board	IFSB
International Organisation of Securities Commissions	IOSCO
Know Your Customer	KYC

Markets in Financial Investments Directive	MiFID
Memorandum of Understanding	MoU
Multi-lateral Memoranda of Understanding	MMoU
New York Mercantile Exchange Inc	NYMEX
Regulatory Appeals Committee	RAC
Society of Trust and Estate Practitioners	ROC
Suspicious Transaction Report	STR
Tomorrow's Regulatory Leaders Program	TRL
United Arab Emirates	UAE

## APPENDIX 10

### CONTACT DETAILS

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Visit the DFSA website at [www.dfsa.ae](http://www.dfsa.ae) for:

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- Full text of the Laws, Regulations and Rules
- Information on the authorisation process
- Copies of application forms





