Dubai International Financial Centre

GUIDE INSURANCE, REINSURANCE AND CAPTIVES IN THE DIFC

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PART 1

THE BUSINESS CASE FOR THE DIFC: Contributed by the DIFC

CHAPTER 1

THE UNITED ARAB EMIRATES AND DUBAI

1.1 The United Arab Emirates

Established on 2 December 1971, the United Arab Emirates ("UAE") is a federation comprised of seven Emirates: Abu Dhabi (the capital of the UAE), Dubai, Sharjah, Ras Al Khaimah, Umm Al Quwain, Ajman and Fujairah. Since the federation was established, the UAE has rapidly grown into a modern state and has become one of the Middle East's most important economic centres.

As a federation, there are specific areas of authority constitutionally assigned to the UAE Federal Government (the "Federal Government"), with other powers reserved for member Emirates. The Federal Government is responsible for: foreign affairs, security and defence; nationality and immigration issues; education; public health; currency; postal, telephone and other communication services; air traffic control; licensing of aircraft; labour relations; financial services (including banking and insurance); delimitation of territorial waters and extradition of criminals. Powers not specifically assigned to the Federal Government are exercised by each of the Emirates.

Each of the seven Emirates is governed by a hereditary Emir, or ruler. According to the UAE Constitution, the Federal Government comprises:

(a) the President (head of State);

(b) the Vice President;

(c) the Supreme Council;

(d) the Council of Ministers (cabinet); and

(e) the National Assembly (also called the "Federal National Council"), each of which is considered further below.

While the official language of the UAE is Arabic, English is commonly used in the business sector.

The President and the Vice President

The President is elected by the Supreme Council from amongst its members. His term of office is five Gregorian calendar years, although he is eligible for re-election to the same office. The current President of the UAE is His Highness Sheikh Khalifa bin Zayed Al Nahyan, the Ruler of Abu Dhabi and Head of State.

The President, amongst other things, introduces decrees and laws to the Supreme Council for ratification, promulgates those decrees and laws that are ratified by the Supreme Council by signing them, appoints the Ministers who make up the Council of Ministers and appoints the Prime Minister.

The current Vice President and Prime Minister of the UAE is His Highness Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai. The Prime Minister chairs the Council of Ministers, which meets once a week in the capital, Abu Dhabi.

The Supreme Council

The Supreme Council is the highest legislative and executive authority in the UAE and consists of the Rulers of each of the seven Emirates that comprise the UAE. The duties of the Supreme Council include:

(a) the formulation of general policy;

(b) the sanction of all UAE legislation and decrees before their promulgation by the President;

(c) the ratification of any international agreement or convention to which the UAE accedes;

(d) the approval of the appointment of the Prime Minister, the Chairman of the Council of Ministers and Judges of the Supreme Court; and

(e) supreme control over affairs of the UAE in general.

Decisions of the Supreme Council are made by majority vote, other than for substantive decisions where a two-thirds majority (i.e. 5 members out of 7) is required, with the Ruler of each Emirate having a single vote. For substantive decisions to be approved, the majority must include the votes of the Rulers of both Abu Dhabi and Dubai.

The Council of Ministers

The Council of Ministers consists of 22 ministers, who are UAE nationals chosen by the President for their competence and experience. They include, in their number, a Prime Minister and two Deputy Prime Ministers.

The Council of Ministers constitutes the executive authority of the UAE and is responsible for all domestic and foreign affairs within the competence of the UAE, under the supreme control of the Supreme Council and the President. The jurisdiction and powers of the Ministers are prescribed by UAE Law No. 1 of 1972 and include:

(a) following up on the implementation of general policy;

(b) initiating drafts of Federal laws and submitting them to the Federal National Council before they are raised with the President for presentation to the Supreme Council;

(c) preparing drafts of decrees;

(d) issuing regulations necessary for the implementation of UAE laws;

(e) supervising the implementation, by all authorities in the UAE, of UAE laws, decrees, decisions and regulations; and

(f) supervising the implementation of any international agreement or convention to which the UAE accedes.

The Federal National Council

The Federal National Council consists of 40 members and is the UAE's legislative and supervisory body. The 40 members of the Federal National Council are appointed by the Rulers of the Emirates.

The Federal National Council receives from the Council of Ministers draft laws, which the Federal National Council is obliged to review. The Federal National Council may approve, amend or reject any such draft law. The decision by the Federal National Council is passed to the Council of Ministers, which, in turn, passes the Federal National Council's decision to the President and the Supreme Council. The Supreme Council is under no obligation to adopt the decision/recommendations of the Federal National Council. The Supreme Council may ratify the legislation without incorporating any amendments that are recommended by the Federal National Council.

The Federal National Council does not contribute to the drafting or consideration of decrees issued by the President. When a decree is issued, the Federal National Council is informed that that decree has been passed and is provided with an appropriate explanation. Although the Federal National Council has no input into the drafting of decrees, it is free to discuss decrees, as it is free to discuss any general subject pertaining to the affairs of the UAE (unless it is instructed otherwise by the Council of Ministers).

1.2 The Gulf Cooperation Council and UAE Membership

In 1981, the UAE became a member of the Gulf Cooperation Council ("GCC"), the members of which are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. These countries are often referred to as "the GCC states". The objectives for the establishment of the GCC include harmonising legislation and regulations in various fields including, finance, trade, infrastructure and customs in order to promote intra-regional trade, region-wide economic development and diversification.

The GCC is one of the world's most prosperous and fast-growing regions, driven by demographic growth, strong oil and natural gas revenues, and a building and investment boom guided by economic diversification goals. The International Monetary Fund estimated in Fall 2014 that the real GDP growth for the region would be 4.5 percent in both 2014 and 2015.

The GCC is home to seven of the world's 20 largest sovereign wealth funds, including the Abu Dhabi Investment Authority in the UAE, Saudi Arabia's SAMA Foreign Holdings, the Kuwait Investment Authority and the Investment Corporation of Dubai, according to a Global Finance report published in November 2012.

1.3 The Emirate of Dubai

Dubai is the second largest Emirate by population and land size that sits between Abu Dhabi Emirate and Sharjah Emirate.

Dubai has fostered a dynamic and open trading economy in less than four decades. Strategically located at the crossroads of trade and commerce between Europe, Africa and Asia, Dubai has leveraged its position and built world-class infrastructure to become the undisputed regional hub for trade, logistics, business, finance, retail and leisure.

Dubai is the de facto jumping off point for international business seeking to tap opportunities in the fast-growing emerging markets of the Middle East, Africa and South Asia. This development has been guided by a multifaceted economic diversification plan focused on growing key sectors such as tourism, logistics, aviation and financial services. These targeted sectors not only represent areas where Dubai has an existing competitive advantage, but they can also help accelerate economic growth, both within Dubai and the UAE, and across the entire region.

1.4 The Dubai Phenomenon

Dubai has been an economically dynamic city long before the establishment of the UAE in 1971. In the years since, it has demonstrated a track record of remarkable economic growth and political stability. Over this period, Dubai has moved from being a small, local trading city into a global hub of commerce.

Since 1975 to 2008, Dubai's economy was one of the fastest growing in the world, according to a Dubai Economic Council statistics published in August 2014. From 1975 to 1990, the economy grew at an annual rate of 6 percent; between 1990 and 2005, it grew by an average of 9 percent. Between 2000-2008, the rate was more than 10 percent a year, and even during the 2008-2014 period, which included the period of the global financial crisis, it still averaged growth of nearly 3 percent a year, according to a statistics revealed by Citibank in June 2014.

Oil has played a relatively smaller role in Dubai's economic profile. In 1985, the sector contributed less than half to Dubai's overall GDP. By 1993, the contributions had slipped further to 24 percent, and by 2006, to 5 percent. By 2010, oil revenues were just 1.7 percent of Dubai government revenues, further emphasised the Citibank research, adding that the share is expected to slip below 1 percent in 2015.

Although global financial crisis paused Dubai's growth story in 2009, but Abu Dhabi's $10 billion bailout coupled with a range of regulatory changes, particularly in the real estate sector, helped stabilise the emirate's economy. Recovery from the crisis came quickly, with bank deposit growth and capital inflows, increased activity in the markets and a rise in indexes.

During 2015, post a robust recovery over the last seven years, Dubai raised spending by 9 percent under the state budget approved by the emirate's ruler. Spending in 2015 is projected at about 41 billion dirhams ($11.2 billion), up from 37.88 bln in the original budget for 2014, Dubai government's official news agency WAM reported in January 2015. Revenues are expected to jump 11 per cent in 2015 from a projected 37.00 billion for 2014, reducing the budget deficit to zero from 882 million in 2014, the WAM report added.

Dubai's economy received a further boost beginning in 2011 following the Arab Spring. In the midst of uncertainty in the region, Dubai has maintained its position as a haven of political and financial stability, with many Arab and other regional investors purchasing property and relocating their businesses to Dubai.

Therefore, it now appears that the UAE, and Dubai in particular, have not only survived the global financial crisis, but are again thriving, with investor sentiment on the rise and the trade, logistics, tourism and the real estate industries all reinvigorated.

1.5 Dubai's Value Proposition

By combining a business friendly environment with world-class hard and soft infrastructure, and increasingly deep trade, travel, business and investments ties not only with the rest of the Arab world but much of Africa, South Asia and other parts of Asia, Dubai has emerged as the leading regional commercial hub. In fact, it is the world's third-largest re-export hub.

Offering transportation links through global airline Emirates and more than 200 flights to destinations around the world from Dubai International Airport, excellent logistics, warehousing and transportation facilities, excellent telecommunications networks and a city offering a high-quality lifestyle and welcoming nationalities from across the globe, businesses are eager to set up operations in Dubai.

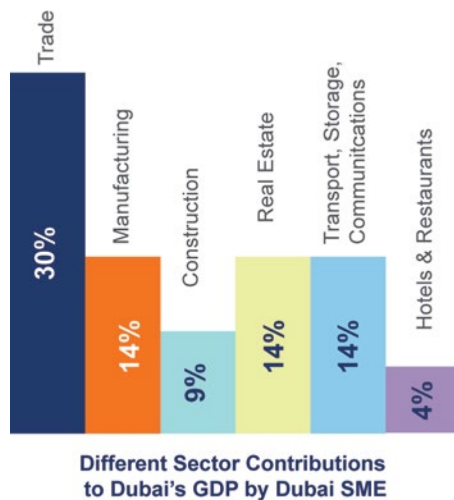
A destination of choice for foreign direct investment

What's more, Dubai's market-orientated economy provides complete freedom of movement of capital, no restrictions on foreign exchange, and full convertibility of the UAE Dirham. Dubai has also established more than 20 free zones that offer foreign companies 100 percent foreign ownership, a zero tax rate and no restrictions on hiring of employees. As a result, Dubai is a highly attractive destination for foreign direct investment (FDI). FDI in the UAE as a whole, with Dubai expected to receive a substantial share, was forecast to grow by 20 percent in 2014, to US$ 14.4 billion from US$ 12 billion in 2013, according to the UAE government.

Consequently 80 percent of Fortune 500 companies (including all of the top 10) have established a presence in Dubai, stated a Khaleej Times report dated October

25, 2013. In addition, Dubai now hosts more than 20 free zones domiciled by numerous multinational and regional companies, the Khaleej Times report added. Jebel Ali Free Zone (JAFZA) is home to 7,300 multinational companies, including more than 120 Global Fortune 500 enterprises, according to JAFZA's operating review published in March 2014.

A Diversified Economy, Led by Services



Different Sector Contributions to Dubai's GDP by Dubai SME

The contribution of trade to Dubai's GDP is approximately 30 percent, according to a government agency- Dubai SME. The manufacturing sector has slowly increased its share of the economy, and now represents 14 percent. Construction accounts for 9 percent; real estate for 14 percent; transport, storage and communications accounts for 14 percent, while hotels and restaurants account for nearly 4 percent, the Dubai SME report elaborated.

While hotels and restaurants are themselves not a huge share of the economy, the leisure and tourism industry is central to Dubai's growth. The emirate is seeking to double the total number of inbound travellers to 20 million between 2012 and 2020.

Dubai also has a world-class and growing aviation sector, which includes Emirates airline and low-cost carrier flydubai. Dubai Airports and the aviation sector as a whole contributed US$ 26.7 billion to the Dubai economy in 2013, nearly 27 percent of GDP, according to Oxford Economics. Emirates flew more than 44.5 million passengers in 2013, while Dubai Airports saw more than 65.4 million passengers transit the city's two airports in 2013. Dubai International Airport surpassed UK's Heathrow as the world's busiest for international travel after handling 70.4 million passengers. Dubai is served by more than 150 airlines connecting 220 destinations on six continents.

Dubai is ideally located within eight hours flying time from two-thirds of the world's population, while one-third of the world's population is within four hours.

Among the world-class events attracting tourists to Dubai are the Dubai Air Show (the world's third largest aerospace exhibition); the Dubai Desert Classic Golf Tournament; the Dubai World Cup (the world's richest horse race); the Dubai Rugby Sevens; and the Dubai Shopping Festival, which saw shoppers spend US$ 4 billion during the 2012 event.

A Multi-Cultural Community of Skilled Professionals

Expatriates comprise over 80 percent of Dubai's population, with more than 200 nationalities working and living together in a safe, multicultural and largely crime-free environment.

Dubai attracts a highly skilled workforce, which is attracted by the country's growing number of international companies, professional service firms and financial institutions.

Expatriates enjoy tax-free salaries, schools accredited to international standards, a high standard of health care and excellent recreational facilities - including 8 championship golf courses.

Real estate consultancy CB Richard Ellis has named Dubai as being among the top 10 most popular business locations in the world, with almost 56 percent of the world's largest companies operating in the emirate. Dubai improved its ranking in the 2014 The Banker (FT Business) ranking of international financial centres to fifth place, preceded only by London, New York, Singapore and Hong Kong. In retail, only London has a larger representation of international retail brands.

Dynamic and Proactive Government

Much of Dubai's remarkable economic development and growth can be attributed to a progressive and enlightened government, with a clear vision and strategy for Dubai's economy. It is also a government that has a remarkable track record for executing large, complex and ambitious projects in a timely and efficient manner.

1.6 Free Trade Zones

In order to further encourage foreign investment, a number of economic free trade zones have been established across the UAE, offering foreign businesses attractive concessions and a number of investment incentives. The main concessions and incentives offered to entities that establish in the free zones include 100 percent foreign ownership (foreign ownership restrictions apply across the UAE outside of the free zones) and the guarantee of zero percent taxes for a specified period of time (usually for 40 years).

The key limitation to establishing a business in one of the free zones is the restriction on carrying out / conducting business or trade within the UAE. While enterprises that are established in a free zone are at liberty to conduct business within the free zone in which they are established and outside the UAE, they are not permitted to conduct business within the UAE.

Dubai has more than 20 free zones catering to a wide range of business sectors or activities, such as media (Dubai Media City), manufacturing (Jebel Ali Free Zone) and information, communication and technology (Dubai Internet City). The DIFC, which is discussed further in Chapter 2, is the primary free zone for the financial services sector (including the re/insurance sector).

1.7 The Insurance Market in the UAE

Outside of the DIFC jurisdiction, the insurance market in the UAE is federally regulated by the UAE Insurance Authority, an entity established in 2007. However, there are aspects of insurance regulation that are subject to regulation at the level of the seven emirates. Notable examples of this include the health insurance sector, which is regulated in Abu Dhabi by the Health Authority – Abu Dhabi, and, in Dubai by the Dubai Health Authority.

All insurance and reinsurance companies (and other insurance sector businesses) that wish to establish operations in the UAE must be licensed and registered with the UAE Insurance Authority. Under UAE Federal Law No. 6 of 2007 (as amended, the "Insurance Law") only a UAE public joint-stock company, a branch of a foreign insurance company or an insurance agent may carry out the business of insurance and reinsurance in the UAE (subject to insurers and reinsurers established in the DIFC, discussed further at Chapter 2). Each of these entities must be registered and licensed by the UAE Insurance Authority.

Further, insurance brokers, insurance consultants, loss adjusters and third-party administrators in relation to health insurance are also required to be registered and licensed by the UAE Insurance Authority.

> An insurance or reinsurance company that wishes to establish operations in the UAE must be either:
>
> *(a) a branch of a foreign insurer or reinsurer with a UAE national as a sponsor for the business; or*
>
> *(b) established as a public joint-stock company listed on one of the local stock exchanges and at least 75 percent owned by GCC nationals.*

Insurers and reinsurers established in the DIFC, by contrast, are allowed 100 percent foreign ownership and do not require a local business partner.

In late 2008, the UAE Insurance Authority placed an indefinite moratorium on all new applications for insurance and reinsurance licences. This has boosted the appeal of the DIFC as a regional hub for re/insurance interests wishing to have a presence in the Middle East.

An insurance or reinsurance company established in the UAE is required to have a minimum capital of AED 100 million (or AED 250 million for reinsurance companies). Foreign insurers that were already established in the UAE, are typically represented through branch offices in the UAE.

At present, there are 61 insurers licensed in the UAE and 142 insurance brokers registered with the UAE Insurance Authority. In 2012, the Insurance Authority published market statistics for 2011 showing growth of non-life market premium income of 4.05 percent compared to 2010. Growth in non-life market premium income from 2010 to 2011 was 3.17 percent. The Insurance Authority is yet to publish updated figures.

1.8 UAE Securities Markets

As noted above, a re/insurer must be established in the UAE as either: (i) a public-joint stock company listed on one of the local stock exchanges; or (ii) a branch of a foreign insurance company registered in the UAE.

DFM is a stock exchange located in Dubai with 71 companies listed, most of which are UAE-based companies. ADX is a stock exchange located in Abu Dhabi and has about 68 companies listed.

NASDAQ Dubai is an international, US-dollar-denominated stock exchange located in the DIFC. NASDAQ Dubai is expected to continue to play a major role in the development of regional capital markets by attracting key regional companies to list their shares and other issued securities on the exchange. This, in turn, is expected to attract international investors and encourage additional portfolio flows to the region, thereby accelerating the process of the region's integration with world markets.

1.9 Looking Forward to 2020

The choice of Dubai as the host city for Expo 2020 has further energized the Dubai economy. In their 2014 merging markets report, Bank of America Merrill Lynch projects a boost to the Dubai economy of nearly US$ 23 billion between now and the opening of the Expo. The main impact of this growth is expected to be felt in the infrastructure, housing and hospitality sectors.

Expo 2020 Dubai also has been the catalyst for some major Dubai government projects that were 'on hold' following the global financial crisis and have now been re-launched. Some significant new projects also have been announced. These re-launched and new projects include the Dubai Water Canal, extension of the Dubai Metro, four Dubai Parks & Resorts theme parks, Mohammed Bin Rashid City, and Mall of the World. These projects will add to Dubai's existing world-class infrastructure.

Government authorities estimate that besides adding a major boost to the GDP, th Expo is expected to generate 300,000 new jobs and over the course of the six-month event, with more than 25 million attendance that includes 70 percent foreigners.

All signs therefore suggest that Dubai's economy is poised to register solid, strong and sustainable growth, as companies and tourists alike flock to the city, bolstering the bottom lines of Dubai government-owned entities. With growth in the infrastructure, housing and hospitality sectors, the re/insurance industry and the financial services sector in general, in the UAE and in Dubai in particular, are also expected to benefit.

CHAPTER 2

INTRODUCTION TO THE DIFC

Established in 2004, the DIFC is a Federal Financial Free Zone specifically created to act as a hub for the financial services sector in the Middle East, Africa and South Asia regions. Strategically located between east and west, and sitting astride the increasingly large South-South trade linking Asia, Africa and the Middle East, the DIFC offers a secure and efficient platform for businesses and financial institutions to access the emerging markets of the region. The quality and range of the DIFC's independent regulation, common law framework, supportive infrastructure and tax-friendly regime make it the perfect base to take advantage of the region's rapidly growing demand for financial and business services.

This Chapter provides an overview of the DIFC and the benefits to establishing a presence within the Centre. The structure of the DIFC and procedure for establishing a presence are considered in the following Chapters to this Guide.

2.1 The Gateway to Regional Capital and Investment

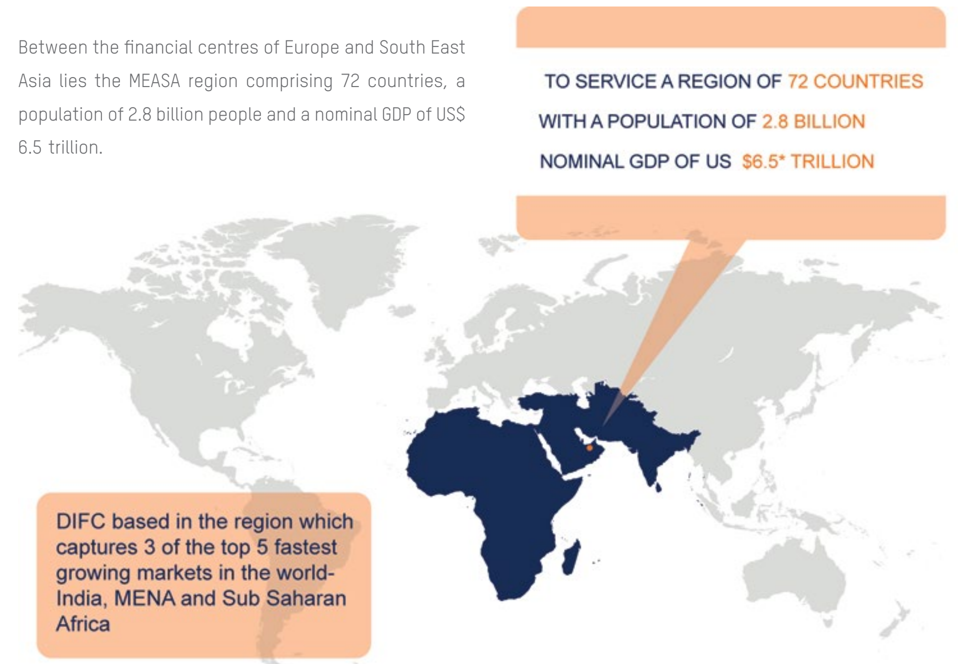
Between the financial centres of Europe and South East Asia lies the MEASA region comprising 72 countries, a population of 2.8 billion people and a nominal GDP of US$ 6.5 trillion.

DIFC is the financial hub serving this region by providing a world-class platform connecting its markets with the economies of Europe, Asia and the Americas. An onshore, international financial centre, DIFC provides a stable, mature and secure base for financial institutions to develop their wholesale businesses.

The Centre offers inspiring architecture, powerful and enabling infrastructure, support services, a vibrant business community, ultra-modern office space, retail outlets, cafes and restaurants, art galleries, residential apartments, public green areas and hotels.

Located midway between the global financial centres of London in the west and Singapore in the east, DIFC (GMT +4) fills a vital time-zone gap with a workday that bridges the market and business hours of financial centres in both Asia and North America.

With recent economic development drives, fuelled to some extent by developments in oil prices, rapid



expansion of trade, population growth and the vast infrastructure projects currently underway across the MEASA region, there is a growing requirement for a financial centre to serve the rapidly expanding needs of firms, institutions and governments in this region. As of June 2014, DIFC boasted 1,113 active registered companies within the hub, which includes 350 financial firms and 600 non-financial firms. Combined, this contributes to a workforce of 16,560The DIFC serves as a means of:

• providing depth to the regional financial markets by broadening the range of financing methods historically provided by regional banks;

• attracting liquidity from both regional and international sources, and funnelling them into investment opportunities within the region, thereby contributing to economic growth;

• facilitating planned privatisations in the region and enabling initial public offerings of privately owned companies, thus providing impetus to the programme of deregulation and market liberalisation throughout the region;

• contributing to the development of regional stock markets which, in turn, will contribute to a broadening of the capital and ownership base of private sector companies; and

• promoting the growth of Islamic finance and the development of the region's reinsurance sector.

2.2 The First Ten Years – A Global Financial Centre Is Established

Today, the DIFC is a community of over 1,113 active registered companies, with a combined workforce of 17,000. These companies include some of the world's largest financial services firms. Among them are 21 of the world's top 25 banks, 11 of the world's top 20 money managers, seven of the 10 largest insurance companies, and seven of the world's top 10 law firms.

Key Milestones in DIFC's Development	
March 2004	Federal Law No. 8 enacted, establishing the basis for Financial Free Zones throughout the UAE.
September 2004	Dubai Law No. 9 enacted facilitating the start of DIFC's operations. This law recognises the financial and administrative independence of DIFC, and exempts it from certain rules and regulations otherwise applicable in the Emirate of Dubai.
September 2004	DFSA Issues first official licence
December 2004	Dubai Law No. 12 establishes DIFC Courts, an independent, common law judicial system
September 2005	Launch of the Dubai International Financial Exchange (DIFX), now known as NASDAQ Dubai
October 2005	DIFC Courts hold its first historic session
November 2005	HH Sheikh Mohammed Bin Rashid Al Maktoum officially launches DIFC

Key Milestones in DIFC's Development	
February 2006	Hawkamah – The Institute for Corporate Governance is established
December 2006	DIFC Judicial Authority publishes the draft Rules of Court
January 2007	DIFC issues the Data Protection Law, the first regime in the region to ensure the protection of all personal information
January 2008	DIFC Courts appoint first female judge in the UAE
February 2008	DIFCA launches the DIFC-LCIA Arbitration Centre - a joint venture with the London Court of International Arbitration (LCIA). By offering dispute resolution services to all business and commercial sectors, the Centre facilitates a cost-effective and timely alternative to the DIFC Courts
September 2008	HH Sheikh Mohammed Bin Rashid Al Maktoum enacts new Arbitration Law of DIFC
November 2008	DIFC Authority Issues Special Purpose Company Regulations
November 2008	HH Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum Rings NASDAQ OMX Opening Bell remotely at The Gate in DIFC
September 2009	Payment System Settlement Finality (PSSF) Law goes into effect
December 2010	Economic activity within the DIFC grows to US$ 2.92 billion, accounting for 3.6% of Dubai's GDP
June 2011	The jurisdiction of the DIFC Courts is expanded to allow parties unrelated to DIFC to choose DIFC courts for their disputes
December 2011	DIFC workforce grows to 12,000
September 2012	Dubai is ranked 6th among global financial centres
September 2012	Dubai is ranked the top financial centre in the region
October 2013	DIFC reaches the 1,000-company milestone
April 2014	The first Shari'a-compliant regulated real estate investment trust incorporated in DIFC launches oversubscribed IPO
July 2014	Growth rate of new firms was 7% for the first six months of the 2014

2.3 The DIFC District – A Vibrant Neighbourhood

The DIFC is located in the heart of Dubai's central business district and situated on a 110-acre site just to the south of the Dubai Emirates Towers landmark. Gracing the northern entry to the District is "the Gate", the architectural signature of the DIFC. Designed by US architects Gensler, this iconic building houses the executive offices of the DIFC Authority and the DFSA, and provides prime office space for leading international financial institutions.

Once fully complete, the DIFC district will offer a total of 9.07 million sq. ft. of gross leasable office space, with this amount to be delivered as per market demand over the next 10-15 years. The mix of office, retail, residential and leisure space is designed to meet the demands of the world's most sophisticated international financial institutions and the professionals who work for them.

DIFC offers its clients a robust and enabling infrastructure to support them in achieving their business objectives. In March 2014, The DIFC Authority announced a revised Freehold Transfer Fee from 3.5 percent to 5 percent, following the publication of Consultation Paper No. 1 of 2014. In line with market trends, this secures the long-term stability of the DIFC property market, and addresses the International Monetary Fund's (IMF) concerns about overinflated markets.

As of mid-2014, occupancy of DIFC-owned commercial office space in The Gate district was 100 percent, while DIFC-owned retail space was 98 percent and third-party owned commercial space was 39 percent. DIFC registered entities are expected, in as much as commercial space is available, to operate from within the district. The scope of existing infrastructure as of mid-2014 included:

DIFC - Built Plots	Total GFA (sq. ft)	
The Gate and Precinct Buildings	1,653, 313	
Gate Village	1,050,782	
Developer-Built Plots	**Total GFA (sq. ft) (office, residential, retail & hotel)**	**Office**
Ritz Carlton & Limestone House	1,814,993	0
Al Fattan Tower	834,330	798,454
Park Towers	1,208,680	267,118
Emirates Financial Towers	761,565	652,661
Liberty House	623,985	346,062
Index Tower	2,179,519	863,742
Sky Garden Towers	888,584	0
Daman Offices*	877,553	877,553
Total	11,893,304	6,509,685

*Deliverd in 2012

2.4 World Class Regulatory Environment

At the heart of the DIFC model is an independent risk-based regulator, the Dubai Financial Services Authority ("DFSA"), which grants licenses and regulates the activities of all banking and financial institutions in the DIFC. The DFSA was created using principle-based primary legislation modelled closely on that used in London and New York. The DFSA has played a major role in providing financial companies the confidence that they have a sound, stable, secure and growth-oriented platform for their business.

2.5 Unique Legal Framework

The DIFC has been granted authority to self-legislate in civil and commercial areas. The DIFC is unique in that it has a legislative system consistent with English common law. Given its construct, DIFC has its own set of civil and commercial laws and regulations and has developed a complete code of law governing financial services regulation.

As part of its autonomy, DIFC has its own independent judicial system, which forms part of the wider Dubai Courts network. This enables DIFC court judgments and rulings are recognised and enforced by all other GCC (Gulf Cooperation Council) courts. The DIFC Courts are responsible for the independent administration and enforcement of justice in the DIFC. The DIFC Courts have exclusive jurisdiction over all civil and commercial disputes arising within the DIFC and/or relating to bodies and companies registered in the DIFC.

The jurisdiction of the DIFC Courts was also expanded in 2011 to allow parties unrelated to the DIFC to choose the DIFC Courts as having jurisdiction over their disputes.

2.6 Benefits of Setting up in the DIFC

Institutions establishing in the DIFC can potentially gain from the following key benefits:

• Platform to access regional wealth and investment opportunities.

• 100 percent foreign ownership.

• Zero percent tax rate on income and profits for a period of 50 years from inception.

• No restriction on capital repatriation.

• International regulatory environment.

• No restriction on hiring of foreign employees

• An international stock exchange with primary and secondary listings of debt and equity instruments.

• A variety of legal vehicles that may be established with capital structuring flexibility.

• A modern transport, communications and internet infrastructure.

• A responsive one-stop-shop service for visas, work permits and other related requirements.

CHAPTER 3

STRUCTURE OF THE DIFC

The DIFC is a Federal Financial Free Zone administered by the Government of Dubai, and established in accordance with United Arab Emirates Federal Law and by Dubai Law. The President of the DIFC is His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

3.1 The Evolution of the DIFC

The DIFC was established by Federal Law and is regarded as an autonomous jurisdiction within the UAE. Its creation required a unique legal and regulatory framework, made possible through a synthesis of the following Federal and Dubai Laws:

• An amendment to the UAE Constitution was required in order to allow the Federation to enact a Financial Fee Zone Law. This law, in turn, allowed each Emirate to create its own Financial Free Zones.

• This amendment, together with Federal Law No.8 of 2004, was enacted, establishing the basis for Financial Free Zones throughout the UAE. More importantly, the law exempts Financial Free Zones from all federal civil as well as commercial laws within the UAE, except UAE Criminal Laws, Administrative Laws and the Anti-Money Laundering Law. The DIFC is, therefore, empowered to create its own legal and regulatory framework for all civil and commercial matters.

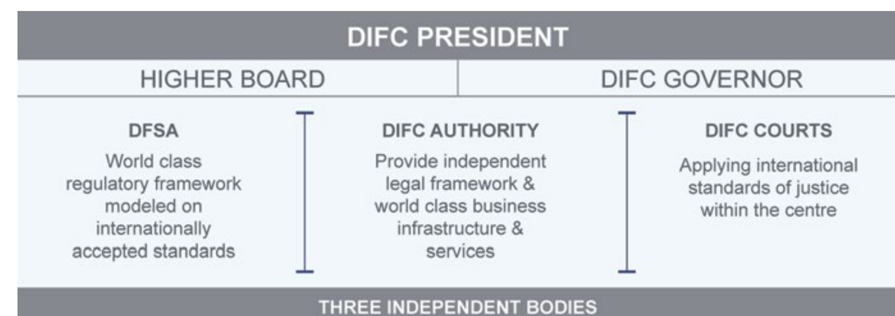
• Federal Law No. 35 of 2004 was enacted, establishing the DIFC as a financial free zone in Dubai and prescribing the geographical area and location of the DIFC in the Emirate of Dubai.

• Dubai Law No. 9 of 2004 was enacted, marking the operational launch of the DIFC. This law recognises the financial and administrative independence of the DIFC, and also exempts it from rules and regulations otherwise applicable in the Emirate of Dubai. It establishes the component bodies, which are considered necessary for the DIFC's operations, and also authorises the President to create other bodies that may be deemed necessary.

• Dubai Law No. 12 of 2004 was enacted, establishing the DIFC Judicial Authority and the DIFC Court System. This law guarantees the independent administration of justice in the DIFC and sets out the powers, procedures, functions and administration of the Court.

3.2 The Key Components of the DIFC

Pursuant to Dubai Law No. 9 of 2004, the DIFC has three independent bodies: the DIFC Authority ("DIFCA"), the Dubai Financial Services Authority or "DFSA" and the DIFC Judicial Authority ("DIFC Courts").



Three Key Independent Bodies of The DIFC

DIFC Judicial Authority	DIFC Authority	Dubai Financial Services Authority
• Administering and enforcing commercial and civil justice in the DIFC • Hearing and determining claims and disputes related to DIFC and DIFC entities • Establishing and operating special tribunals as required	• Developing overall strategy and policies for DIFC, other than financial regulatory policies • Incorporating and registering companies in DIFC • Developing laws relating to Non-Financial Services Activities at DIFC • Business Development and Marketing • Communication and Public Relations • Registration of Security Instruments • Registration of Securities	• Developing the regulatory framework • Authorising, Licensing and Registration of Financial Services and Related Activities • Regulating Financial Services and Related Activities in the DIFC • Supervising Market Activities • Investigation and Enforcement

3.3 DIFC Authority

The DIFC Authority established under Dubai Law No. 9 of 2004 as a juridical entity attached to the Government of Dubai, is the body charged with overseeing the operation and administration of the DIFC. Its responsibilities include developing overall strategy and providing direction; promoting the DIFC; and attracting licensees to operate in the DIFC. The DIFC Authority is also responsible for the development of laws and regulations to cover all aspects of non-financial services activities, which are not regulated by the DFSA. Such laws and regulations include employment law, contract law, company law and real estate law, amongst others.

The DIFC Authority provides assistance to prospective licence applicants at every stage of the process, including assistance and guidance in business and tcommercial considerations; the licence application process; obtaining visas and resident permits for employees of the applicant; and leasing arrangements. Dedicated relationship managers guide licence applicants through the entire process.

3.4 Dubai Financial Services Authority ("DFSA")

Created under Law No. 9 of 2004 and entirely independent of the DIFC Authority and the DIFC Judicial Authority, the DFSA is the integrated regulator responsible for the authorisation, licensing and registration of institutions and individuals who wish to conduct financial and professional services in or from the DIFC. The DFSA also supervises regulated participants and monitors their compliance with applicable laws, regulations and rules.

The DFSA is empowered to make rules and regulations, as well as develop policy on relevant market issues and, in turn, enforce the legislation that it administers. The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, reinsurance, an international equities exchange and an international commodities derivatives exchange.

By establishing and maintaining an environment that fosters the DIFC's guiding principles of integrity, transparency and efficiency, the DFSA has set high standards by building a clear and flexible regulatory framework, based on the best practices and laws of the world's leading financial jurisdictions. The result is clear and succinct legislation that is relevant to a modern international financial centre.

The DFSA authorises, licenses, and registers institutions and individuals to operate within the DIFC only after they have demonstrated their ability to meet and maintain the high standards required of them. The DFSA has the power to hold them to account if they fail.

Leading the development of the DFSA's robust regulatory and legal framework is a team of experienced regulators, drawn from internationally recognised regulatory bodies and major financial institutions.

The DFSA's powers as a regulator are conferred on it by the provisions of the Regulatory Law, DIFC Law No. 1 of 2004. The DFSA, in turn, has rule making power, which enables it to respond quickly and effectively to market developments and business needs.

In order to achieve its objectives, the DFSA is forging close ties with other regulatory agencies within Dubai and in the UAE, as well as with international regulators and organisations. The DFSA is also actively pursuing alliances, and the creation of Memoranda of Understanding ("MoU") with its counterpart regulators such as the Federal Financial Services Authority of Germany, the Guernsey Financial Services Commission and the UK Financial Services Authority (now the UK Financial Conduct Authority and the Bank of England Prudential Regulation Authority). These Memoranda govern the way in which regulators can assist each other in the pursuit of individual and common objectives, including the exchange of information and the exercise of investigative and enforcement powers.

As of time of print, the DFSA has signed 63 bi-lateral MoUs and four multi-lateral MoUs across 42 countries, a complete list of which is included in Appendix A.

The DFSA is also a member of the International Organisation of Securities Commissions ("IOSCO"), the world's leading body of international securities regulation, the Islamic Financial Services Board ("IFSB"), the Accounting & Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and other leading international organisations, such as the Bank for International Settlements ("BIS"), the International Association of Insurance Supervisors ("IAIS") and the Financial Action Task Force ("FATF").

The DFSA has adopted and applied the standards promulgated by these organisations and also contributes to their dialogue in areas such as securities regulation, anti-money laundering compliance and insurance regulation. The commitment to these standards enables the DFSA to stay abreast of, and implement, international best practices within the region.

Regulatory Appeals Committee

The Regulatory Appeals Committee ("RAC") functions as an "internal" appeal mechanism for the DFSA executive's regulatory decisions (including authorisation and supervision processes) to ensure procedural fairness, objectivity and transparency. The RAC is empowered to conduct a full merits review of executive decisions under appeal. Decisions of the RAC may be reviewed by the DIFC Courts by way of judicial review on a point of law.

Financial Markets Tribunal

The Financial Markets Tribunal ("FMT") serves as an independent financial services disciplinary tribunal to determine breaches of DFSA administered legislation and related regulatory proceedings.

It is broadly empowered with a remit and powers comparable to other international integrated financial services regulatory tribunals.

The FMT is operationally independent of the DFSA Board and Executive. Decisions of the FMT may be appealed to the DIFC Courts.

3.5 DIFC Judicial Authority ("DIFC Courts")

An autonomous body, the DIFC Courts' statutory function is that of administering and enforcing the civil and commercial laws of the DIFC. It has been established by laws, which set out the jurisdiction of the DIFC Courts, allowing for the independent administration of justice in the DIFC.

The laws have been designed to meet international standards of legal procedure. Major global institutions locating or planning to locate to the DIFC were consulted for their opinions before developing these laws. In this way, the DIFC Courts were able to provide legal clarity and predictability.

The DIFC Courts operate a Court of First Instance and a Court of Appeal, and deal with all the cases and claims involving DIFC-based transactions and litigants or else litigants outside of the DIFC that have opted for the jurisdiction of the DIFC Courts. A Chief Justice and a Deputy Chief Justice, both of international repute, lead the DIFC Courts. English is the official language of the DIFC Courts.

The independent court system of the DIFC allows for a matter to be heard either within the DIFC Courts or, if the parties wish, in the court of another recognised jurisdiction. The DIFC laws are applicable to all disputes coming before the DIFC Courts, unless the parties choose the laws of another jurisdiction. This flexibility takes into account the different circumstances and requirements of companies and institutions, and ensures that a dispute is heard within the legal framework which is best suited to their needs.

The jurisdiction of the DIFC Courts also extends to the ratification of judgements, orders and awards handed down by other recognised courts or arbitral bodies - domestic or foreign. The DIFC Courts are also empowered to issue orders and provide directions to third parties in respect of the conduct of any proceedings before the DIFC Courts.

The Small Claims Tribunals of the DIFC Courts were established in October 2007 with power to hear and determine claims where the amount of the claim or the subject matter of the claim is less than AED 100,000. This offers a simplified, cheaper procedure for small claims.

The jurisdiction of the DIFC Courts is limited to civil and commercial matters. Criminal matters cannot be heard by the DIFC Courts, and must be referred to the appropriate authority in the UAE.

3.6 Other Bodies

Registrar of Companies ("DIFC ROC")

The DIFC ROC operates under the Companies Law as a separate legal body established as a "Corporation Sole".

The DIFC ROC is responsible for advising on, receiving, reviewing and processing all applications submitted by prospective DIFC registrants seeking to establish a presence in the DIFC in accordance with the Companies Law, the General Partnership Law, the Limited Liability Partnership Law, or the Limited Partnership Law, and the implementing regulations applicable thereto.

The DIFC ROC is responsible for registration of legal entities in the DIFC. It also has a key role in providing information on DIFC entities.

The main functions of the DIFC ROC are to:

- *incorporate/register and dissolve DIFC entities;*
- *examine and store information on DIFC entities submitted under the applicable laws and regulations; and*
- *make this information available to the public. The ROC maintains a register of all such entities. Any entity intending to operate in DIFC must be incorporated or registered with the ROC under the relevant DIFC law.*

The DIFC ROC is responsible for administering the Companies Law and Regulations.

DIFC Registrar of Securities ("ROS")

The ROS is responsible for recording and registering, and thereby establishes priority of security pledged against loans, guarantees and other financial transactions.

This security enables banks or any entity inside or outside the DIFC to register any security they may take covering facilities they have extended to borrowers in the DIFC. This service is also available to banks located in the DIFC providing facilities to borrowers located outside the DIFC.

The facility of registering a charge over security, either financial or non-financial, ensures that once the charge is properly registered, no other body or entity taking a subsequent interest can have prior claim on the pledged security. Typically, charges that can be registered would be charges over cash deposits, liens, debentures, and floating charges. By registering the security, the provider of the facility protects its exposure to the borrower.

Registrar of Real Property ("RORP")

The RORP protects the rights of buyers, sellers and leaseholders.

The Registrar administers the Real Property Law and the Strata Title Law and registers all land and units in the DIFC in the DIFC register.

In addition, the Registrar registers easements, and any interests third parties may hold in the title.

The Registry also offers the facility of registering a mortgage or charge over land or completed units and ensures that once the charge is properly registered, no other body or entity taking a subsequent interest can have prior claim on the pledged security.

Hawkamah-The Institute for Corporate Governance

Hawkamah, The Institute for Corporate Governance constitutes a ground-breaking development for institution building, corporate sector reform, sound banking and financial sector development, good governance, sustainable economic development and growth in the Middle East, North Africa and South Asia (MENASA) region. Launched in February 2006, Hawkamah's mission is to assist the countries and companies of the region to develop sound and globally well-integrated corporate governance frameworks.

Being in and devoted to the region, Hawkamah's strengths lay in its proximity to the countries and companies of the Gulf and MENASA and in its strong partnerships with international and regional organisations such as the International Finance Corporation, Organisation for Economic Co-operation and Development, International Institute of Finance, Center for International Private

Enterprise, Union of Arab Banks, and the DIFC, among others.

For more information, log on to www.hawkamah.org

About Mudara IOD

Launched by Hawkamah, Mudara - Institute of Directors (IOD) is a professional membership organisation, serving board members, directors and governance professionals in the Middle East and North Africa (MENA) region. The Institute promotes director excellence by advocating the interests of boards and facilitating professional development through education, research, information, networking and dialogue. The institute works to enhance the role of company directors within the public sector, private sector and family run businesses by providing information, research, advisory services and professional programmes to assist members and boards in raising standards of corporate governance and business practices.

The mission of Mudara - Institute of Directors (IOD) is to establish a recognised institute committed to best practices for directors. For more information about Mudara IOD, please visit www.mudara.org

DIFC Centre of Excellence

DIFC Centre of Excellence (CoE) offers top-ranked international executive education and development programmes that enable professionals to succeed in a rapidly growing economy. In an evolving market where workplace demands keep changing, the CoE provides the resources for professionals to constantly update and hone their competencies. Programmes offered at the CoE cover core business areas like finance, law, strategy, human resources, marketing and entrepreneurship as well as specialised fields relevant to the region such as Islamic Finance and Energy.

3.7 DIFC Knowledge-Building Events

As the region's hub for banking and finance, the DIFC ensures that people working at the Centre are in touch with the latest trends and developments in these industries – both regionally and globally. To help facilitate the sharing of knowledge and to promote the flow of information, data, insights and expertise, the DIFC hosts numerous regional and international events at the Centre and elsewhere in Dubai, and also holds specialised industry-focused forums across the spectrum of banking and financial services. These knowledge-building events include Business Breakfasts hosted by different professional services firms on topics such as insurance, capital markets and legal matters; CEO Roundtables, each with an industry-specific focus; DIFC Community Connect, a high-level networking event, as well as less formal, more lifestyle-driven events such as the popular Art Nights @ Gate Village.

As mentioned, insurance/ reinsurance-focused events are regularly held at the Centre. A significant example is the bi-annual 'GR Executive Briefing Live', an event hosted by the DIFC in partnership with London-based GR. The event brings together practitioners from local, regional and international markets and focuses on key trends and topics. It provides an opportunity for the DIFC to be the platform for the market to come together and debate and promote the interests of the DIFC and wider regional markets.

Meanwhile, DIFC also participated in events like: Second Annual Trade Credit Insurance Summit (2014), 27th East Asia Insurance Congress, International Insurance Society's 50th Annual Seminar, Global Reinsurance Event, Financial Institutions Insurance Seminar, Executive Insurance Briefing Live, among others. As the UAE continues to record strong growth, opening access to new trade corridors, these events highlighted the best practices in the insurance domain to overcome the risks of bad debt, increased payment arrears, fluctuations in cash flow and lack of information on financials hampers the overall growth.

DIFC hosted, attended or were speakers at more than 30 forums, conferences and other knowledge events in Dubai during 2013. Some of those held at the DIFC included the Middle East Investment Summit networking evening, the Georgetown Event - The Leadership Role of the GCC in the Global Economy, the IIF GCC Report Press Conference, the MIGA - DIFC Event, The Wall Street Journal Week, The Private Equity MENA Association - Healthcare Roundtable, and the IMF Regional Economic Outlook.

3.8 DIFC Laws and Regulations

All businesses operating in the DIFC are subject to its laws. They will not, however, be subject to the civil or commercial laws that apply generally within the UAE or Dubai, with the exception of UAE/Dubai criminal and money laundering laws. Only businesses that conduct Financial Services (as defined in the DFSA Rulebook) in or from the DIFC are subject to the regulatory laws administered by the DFSA.

DIFC laws have been modelled on the financial and commercial laws of the world's leading financial jurisdictions.

The responsibility for administering and enforcing the laws that apply within the DIFC is divided between the DFSA and the DIFC Authority, reflecting their respective roles as the regulator of the institutions operating within the DIFC and the body that deals with the non-regulatory functions of those institutions.

The table below sets out in summary form the laws in effect in the DIFC.

The Law on the Application of Civil and Commercial Laws in the DIFC (No. 3 of 2004) is a key piece of DIFC legislation and is designed to provide DIFC-based entities with certainty as to their commercial rights, liabilities and obligations when doing business in the DIFC. It also enables DIFC entities to adopt DIFC laws, or to choose laws of an alternative jurisdiction to govern their commercial relationships. The hierarchy for choice of jurisdiction laid down by Law No.3 of 2004 is as follows:

(a) in relation to regulatory content, the DIFC laws that

Laws in Effect in the DIFC

- Law on the Application of Civil and Commercial Laws in the DIFC - DIFC Law No. 3 of 2004
- Limited Liability Partnership Law - DIFC Law No. 5 of 2004
- Contract Law - DIFC Law No. 6 of 2004
- Court Law — DIFC Law No.10 of 2004
- General Partnership Law – DIFC Law No.11 of 2004
- Employment Law – DIFC Law No.4 of 2005
- Law of Obligations – DIFC Law No. 5 of 2005
- The Implied Terms in Contracts and Unfair Terms Law – DIFC Law No. 6 of 2005
- Law of Damages and Remedies – DIFC Law No. 7 of 2005
- Law of Security – DIFC Law No. 8 of 2005
- Personal Property Law – DIFC Law No. 9 of 2005
- Law Relating to the Application of DIFC Laws (Amended & Restated) – DIFC Law No. 10 of 2005
- Limited Partnership Law – DIFC Law No. 4 of 2006
- Data Protection Law — DIFC Law No. 1 of 2007
- Real Property Law – DIFC Law No. 4 of 2007
- Strata Title Law – DIFC Law No. 5 of 2007
- Arbitration Law – DIFC Law No. 1 of 2008
- Payment System Settlement Finality Law – DIFC Law No. 1 of 2009
- Companies Law – DIFC Law No. 2 of 2009
- Insolvency Law — DIFC Law No. 3 of 2009
- Non Profit Incorporated Organisations Law – DIFC Law No. 6 of 2012
- DIFC Laws Amendment Law – DIFC Law No. 1 of 2013

are in force; or failing which

(b) the laws of any jurisdiction (other than that of the DIFC) expressly chosen by any DIFC law; or failing which

(c) the laws of a jurisdiction as agreed between all the relevant parties concerned in the matter; or failing which

(d) the laws of any jurisdiction which appears to the DIFC Court or arbitrator to be the one most closely related to the facts of and the persons concerned in the matter; or failing which

(e) the laws of England and Wales.

Those laws are enforced through the DIFC Courts of First Instance and Court of Appeal, which have jurisdiction for cases and disputes involving DIFC entities.

The Regulatory Law

The Regulatory Law (No.1 of 2004) is particularly important in the context of Financial Services (including (re)insurance) as it establishes the DFSA as the regulator for entities engaging in financial services in or from the DIFC and sets out the remit of the DFSA's functions and powers. It also prescribes what activities are regulated activities within the DIFC and empowers the DFSA to make its own rules to carry on its regulatory activities.

The Regulatory Law covers, among others, the following important areas:

- the establishment and structure of the DFSA
- the DFSA's powers to make rules
- the Regulatory Appeals Committee and the Financial Markets Tribunal
- the DFSA's relationship with other regulatory bodies
- applications for licences by Authorised Firms
- the status and authorisation of Authorised Individuals
- registration of Designated Non-Financial Businesses or Professions ("DNFBP")
- Anti-Money Laundering provisions
- the DFSA's powers of supervision and investigation
- the DFSA's enforcement powers

Operating Regulations and DFSA Rulebook

In addition to the laws that apply in the DIFC, there is subsidiary legislation in the form of Operating Regulations administered by the DIFC Authority. As the names suggests, these regulations govern the operations of companies incorporated within the DIFC and issues such as the granting of licences.

The DFSA has created its own rules, contained in its Rulebook, which apply to entities carrying out Financial Services in or from the DIFC. The Rulebook is broken down into individual modules. The modules of most relevance to insurance businesses are the General Business Module (GEN) and Conduct of Business Module (COB). Also in terms of prudential requirements, Prudential - Insurance Business Module (PIN), which applies to Insurers or Reinsurers and Prudential – Investment, Insurance Intermediation and Banking Module (PIB), which applies to Insurance Intermediaries and Insurance Managers also apply. In addition, the Islamic Financial Business module of the DFSA Rulebook will apply to Takaful or Re-Takaful operators. Other modules of the DFSA Rulebook that deal with, for example, solvency, conduct of business and enforcement, will also apply to all entities conducting Financial Services in or from the DIFC. The DFSA Rulebook is clear and well drafted and purposely avoids unnecessary complexity or detail, reflecting the DFSA's risk-based approach to regulation. The various modules of the DFSA Rulebook that apply to insurance businesses are considered in more detail at Chapter 15.

CHAPTER 4

FINANCIAL SERVICES IN THE DIFC

The DIFC focuses on the following main financial services sectors:

1 BANKING & BROKERAGE SERVICES

2 WEALTH MANAGEMENT

3 REINSURANCE & CAPTIVE INSURANCE

4 ISLAMIC FINANCE & TAKAFUL

5 ANCILLARY SERVICES

6 CAPITAL MARKETS

4.1 Banking & Brokerage Services

Businesses in the region have traditionally depended heavily on domestic bank finance for their start-up and expansion needs, often at inefficient and considerably high costs. In view of the underdeveloped capital markets in the region, investors and borrowers have had to resort to international markets in order to fulfil their financing requirements.

However, in light of liberalisation and planned privatisations, a surge in liquidity and rapid expansion of economic activity and trade, there is a large and growing demand for more efficient and sophisticated forms of financing.

The many, and vast, programmes of infrastructure expansion and development by governments in the region have also provided significant project finance opportunities. Nearly US$ 2.5 trillion worth of construction contracts are planned or under way in the GCC, while across the wider MENA region, the total exceeds US$ 4 trillion. Meanwhile, with the emergence of Dubai as a major centre for international trade, the opportunities for trade finance providers in the region are set to grow enormously, with several local institutions such as Majid Al Futtaim, Emirates NBD, Investment Corporation of Dubai, GEMS Education and RAK Capital seeking alternative means of financing their expansion.

To gain access to this large and relatively untapped market, the DIFC offers a wholesale platform for investment banks and financial intermediaries looking to establish underwriting, M&A advisory, venture capital, fund administration, private equity, private banking, trade finance, and brokerage services operations, as well as to take advantage of the numerous associated opportunities in the region.

The success of the DIFC's vision in this relatively untapped market is demonstrated by the number of institutions that have established operations in the DIFC. Some of the more notable being Merrill Lynch, Deutsche Bank, Morgan Stanley, NATIXIS, PricewaterhouseCoopers, Goldman Sachs, Citigroup, HSBC Bank and ABN AMRO Bank.

4.2 Wealth Management

The DIFC provides an onshore centre offering a wide range of investment opportunities, such as mutual funds, exchange traded funds, open and closed-ended investment companies, index funds, hedge funds, consultant wrap accounts and Islamic compliant funds. Furthermore, the DIFC provides an ideal environment and a highly skilled work force to asset management firms and private banks for their fund registration and administrative functions.

Historically, the pool of financial assets held by regional investors has been invested offshore through financial institutions mainly in London, Geneva, New York and Tokyo. Middle Eastern high-net-worth individuals held US$ 2.1 trillion in 2013 growing by more than 16 percent, according to the 2014 World Wealth Report.

The economic development and rapid growth of the region, as well as the demographic changes, which have seen a rising demand for pensions that are able to meet the retirement needs of the region's ageing population, is driving business in the DIFC, which provides a platform for channelling the financial assets of individuals and institutions alike.

The scope for repatriating the enormous wealth invested, managed, and administered outside the region represents a considerable opportunity for asset management firms, fund administrators, custodian banks, rating agencies, and other professional service providers operating from the DIFC. Similarly, the increase in the region's IPO activity and growth in liquidity presents opportunities for the development of a domestic fund management industry, which has hitherto remained underdeveloped due to a lack of innovative financial products in the region, an inadequate legal and regulatory framework and the absence of sophisticated local asset management expertise.

To this end, the DFSA has developed regulations specifically for the supervision of the fund management industry within the DIFC, permitting the establishment and operation of various types and categories of collective investment schemes in the DIFC, including property funds, Islamic funds, hedge funds, funds of funds and private equity funds. Drafting of the regulations involved extensive consultation between the DFSA and the funds industry, resulting in a comprehensive regime to meet the requirements for a modern, well-regulated centre for fund management and administration within the region.

(a) Hedge Funds

The DFSA has issued a Hedge Fund Code of Practice, which is the first of its kind to be issued by a regulator and can be a benchmark code for regulation of the international hedge fund industry. The Code sets out best practice standards for Operators of Hedge Funds in the DIFC.

The DFSA's initiative to issue a Code of Practice comes in the wake of enhanced industry and international regulatory focus on Hedge Funds. The Code addresses some specific risks that are associated with Hedge Funds and reflects the DFSA's commitment to risk-based regulation.

Instead of rules, the DFSA has adopted a principles based approach for developing best practice standards for regulating the hedge funds industry with the aim of promoting certainty, whilst also allowing industry participants a degree of flexibility to adapt these standards to suit their particular businesses in light of changing market conditions and emerging issues.

There are nine high-level principles in the Code, which cover areas of key operational, management and market-related risks, particularly in areas such as valuation of assets, back office functions and exposure to market risks.

(b) Family Offices

As families in the region grow increasingly prosperous, they need more tailored services to deal with their unique wealth-management needs. In GCC countries, family-owned companies account for 80 percent of business activity, while two-thirds of businesses worldwide are family owned.

A Family Office is a private office set up by a single family with the purpose of managing the family's wealth and assets. It is used by a growing number of wealthy

families to both safeguard and grow existing assets for the next generation, in a confidential yet transparent framework. Principal issues currently facing affluent families include:

• Transition to the next generation

• Asset protection

• Estate and succession planning

• Tailored accounting, investment and cash flow reporting

• Investment strategies and wealth management over multiple jurisdictions

• Philanthropy

• Insurance management

• Management of professional assets such as property, aircraft, yacht and art collections over multiple jurisdictions

The DIFC provides, in one location, all the services required by a Family Office, including access to wealth and asset managers, private bankers, lawyers, accountants, corporate governance experts, international tax advisers, succession planning advisers, captive insurers and experts on Islamic finance, as well as access to capital markets and corporate financiers.

The DIFC has a world-class regulatory and legal framework tailored to meet the needs of families seeking to preserve and grow their wealth across generations and continents.

A Family Office based in the Centre is able to work within the context of the DIFC Trust Law, as well as take advantage of pioneering Family Office legislation, which was introduced in 2008.

4.3 Reinsurance & Captive Insurance

(a) Reinsurance

With over 30 reinsurers and underwriting agencies writing in excess of US$ 1 billion of premium, serviced by more than a dozen specialist reinsurance brokers, the DIFC has rapidly become the reinsurance hub in the region.

This position has been cemented by the opening of Lloyd's of London in the DIFC in March 2015. It is expected that the total number of Authorised Firms operating in the insurance and reinsurance sector will exceed 100 by the end of 2015.

The establishment of the DIFC as a regional hub for the insurance sector has been fuelled by the continuing growth of regional insurance markets and demand for reinsurance capacity and expertise based regionally. This demand is expected to continue to grow. Historically, insurance penetration and density in the region have been well below levels in other parts of the world due to a range of factors including:

• lower disposable income in the MENA region (except for GCC countries);

• greater reliance on social welfare provision;

• lack of insurance awareness and/or concerns with regard to the permissibility of insurance as a matter of Shari'a; and

• the extended family system underpinning state welfare provision.

However, this picture is rapidly changing. The sector has a projected compounded annual growth rate (CAGR) of 18.1 percent between 2012 and 2017 to reach a size of US$ 37.5 billion and reports suggest that insurance penetration in the GCC will improve from 1.1 percent in 2012 to 2 percent in 2017, while insurance density is anticipated to more than double during this period. This growth is attracting major international insurance and reinsurance companies that are seeking opportunities beyond their traditional markets.

The following are some of the factors driving growth:

• Demographic growth, as the region continues to see rapid expansion of its population, including the continued influx of expatriates. In particular, the continued increase in income levels, coupled with the low median age of the population, is considered indicative of strong propensity for acquiring personal assets, and therefore a significant driver of demand for insurance;

• The region's huge programme of infrastructure spending on energy, water, transportation and petrochemicals, involving mega projects and risks requiring insurance and reinsurance;

• The rapid growth of Islamic or Takaful insurance products. Although declining from a CAGR of 22 percent (2007 to 2011) to 16 percent in 2012, this sector continues to experience significant growth. The total contributions (premiums) for the sector reached US$ 11 billion in 2012 (of which the GCC comprised US$ 7.35 billion);

• The continuing role of Dubai as a logistics hub is driving growth in demand for MAT (Marine, Aviation and Transportation) products and trade credit insurance protections, as well as other forms of commercial insurance, arising from the rapid development of trade in the region;

• The privatisation of state assets resulting in previously uninsured risks requiring insurance cover for the first time; and

• The introduction of compulsory insurance for motor and health. Particular growth has been experienced as a result of the introduction of mandatory health insurance in Saudi Arabia, Abu Dhabi, Dubai and Qatar. However, there is increasing focus on the scope for other compulsory insurance coverage in areas such as professional indemnity, worker compensation and third-party liability that are under consideration in a number of jurisdictions in the region.

The DIFC has set out to establish itself as a hub to foster the development of a thriving insurance market by attracting global insurers, reinsurers, brokers, as well as service, educational and training providers.

(b) Captive Insurance

For companies looking to finance and manage risk, the DIFC's legislative framework, coupled with its favourable tax environment, offers a convenient platform for the establishment of captive insurers. Furthermore, the flexibility of the DFSA in providing for the regulation of Protected Cell Companies positions the DIFC among the most forward-looking financial centres.

It is fair to say that captive insurance penetration in the region has been well below levels seen in other parts of the world. This is attributable to a combination of factors, including a general lack of insurance awareness among regional businesses, prevailing soft premium rates and the lack of tax incentives that have driven captive insurance growth elsewhere in the world.

However, captive insurers have been used successfully by a number of entities in the region. The advantages of captive insurers include:

• Potential cost savings arising through some or all of the following factors: (i) direct access to the reinsurance

market; (ii) retaining some or all of the corporate risks within a business or group of businesses; and (iii) fewer commissions being paid to insurance brokers.

• Items that are normally self-insured by a business or group of businesses, such as deductibles / uninsured perils and sums in excess of commercial policy limits, can be retained by the captive.

• Greater flexibility in the structuring of the insurance programme allowing "uninsurable" risks to be covered and/ or more bespoke selection of risks to be ceded to the reinsurance market.

• Greater risk control through self-insurance and control of claims handling.

• Tax efficiency as the losses generated may, in some jurisdictions be offset against the profits of the group. Premiums paid to a captive may also be tax deductible. This can be a material advantage for regional businesses as they expand internationally.

For regional firms looking to finance and manage corporate risk, the DIFC's legislative framework, coupled with its favourable tax environment, offers a convenient platform for the establishment of captive insurance companies.

4.4 Islamic Finance & Takaful

Sheikh Mohammed bin Rashid, Vice President of the UAE and Ruler of Dubai, announced in late 2013 a series of initiatives with a three-year timetable for the Emirate of Dubai to become the centre of the Islamic economy. The initiatives are aimed at establishing a comprehensive platform of Islamic economy products and services with a view to enhancing the integration of the Islamic economy as part of the overall Dubai economy. The initiatives include Islamic finance instruments, Islamic insurance (Takaful), Islamic contracts' arbitration, Islamic food industry and trade standards (Halal food), and Islamic quality management standards.

The DIFC will be at the forefront of these initiatives for the Islamic financial services sectors. At the time of writing, there are 26 Authorised Firms within the DIFC licensed to operate as Islamic Financial Institutions or Islamic windows. This includes two dedicated Re-Takaful firms.

(a) Islamic Finance

Islamic finance is an area that has grown to become an increasingly important segment within the global financial market, gaining considerable ground as a viable and alternative model to conventional finance. Total Islamic financial assets globally are estimated to be more than US$ 1.35 trillion, according to Thomson Reuters. This includes US$ 985 billion in the area of commercial banking, US$ 251 billion in sukuks (bonds,) US$ 44 billion in Islamic funds, and US$ 26 billion in Takaful assets. What's more, this sector is growing at 15-20 percent a year. The industry's clients are not to be found only in Muslim countries but also in Europe, the Americas and the Far East.

Currently Islamic finance has a very small share of the global market, but all the signs are that it will continue to grow rapidly in the coming years. The Kuwait Finance House forecasts in a 2013 report that total Islamic financial assets will more than triple between 2013 and 2020 to exceed US$ 6.5 trillion.The market for Islamic or Shari'a-compliant financial products is largely driven by the following factors:

• A growing demand for Shari'a-compatible forms of financing and banking products amongst the world's Muslim population.

• Economic development in the region, giving rise to infrastructure and other projects for which Shari'a-compliant forms of financing are becoming increasingly popular.

• The emergence of an international market in Sukuk (Shari'a-compliant) bonds.

• Rising incomes amongst the Arab population resulting in the need for Islamic consumer finance products (insurance, mortgages, pension plans, and investment funds).

• Changing demographics in the Arab world triggering a growing need for pensions and other retirement savings products.

GCC sukuk (or Islamic bonds) issuances have reached US$20.3 billion in 2014, 27.3% higher than the same period in 2013, said a Standard & Poor's Ratings Services report. S&P expects total GCC banking assets to rise to US$2 trillion by the end of 2015 from US$1.7trillion in 2014.

(b) Takaful

Global Takaful contributions are estimated to have reached US$ 11 billion in 2012 (from US$ 9.4 billion in 2011). Year-on-year growth has slowed from the 2007-11 CAGR of 22 percent to a more sustainable growth rate of 16 percent. Nevertheless, estimates suggest that the industry will achieve a level of global contributions in excess of US$ 17.1 billion by 2015. The GCC is a key market for Takaful, representing US$ 7.35 billion (approximately 67 percent) of global Takaful contributions.

(c) Islamic Initiative

The DIFC, as a hub for Islamic finance and Takaful, will be at the forefront of the initiatives for Dubai to become an Islamic centre of excellence. In doing so, the DFSA approach is driven by the following key considerations:

(i) As a risk-based regulator the DFSA has attempted to align its laws and regulations, as well as its supervisory practices, to the actual risks posed by an Islamic business. Thus, where risks in Islamic finance and conventional finance (or Takaful and conventional insurance) are similar, the DFSA takes the view that a similar approach should apply.

(ii) The DFSA offers world-class regulation based on international best practice and experience. It has, therefore, sought input and consulted with, academics and international organisations to create a unique 'Shari'a Systems' model of regulation. The DFSA's regulation conform to international standards such as risk and capital adequacy as set out by the Basel Committee, while adhering to Islamic finance industry guidelines and applications as set out by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) with regards to accounting treatment of Islamic transactions. The result is an enabling and conducive environment supportive of the future development of the Islamic Finance sector.

(iii) The DFSA is a Shari'a-systems regulator. This means that any firm that claims to be Islamic must have a Shari'a supervisory board comprised of competent scholars; it must have systems and controls to implement the SSB's rulings, and it must have annual Shari'a reviews and audits in accordance with AAOIFI standards. They must also disclose details of their SSB to their customers. This allows them to make their own decisions about the reliance they are prepared to place on the SSB's rulings. The DFSA does not therefore shy away from the religious dimension of the Islamic Finance industry, but it also does not seek to make itself the arbiter of Shari'a matters.

(iv) The DFSA recognises the need to maintain flexibility. The DFSA allows Islamic windows as well as pure Islamic firms and does not prescribe contract forms that must be used for specific types of transactions.

The DIFC believes that this approach has facilitated the growth and development of the Islamic finance industry. It has created the freedom to allow the industry to strive to match its conventional counterparts in the development of a sophisticated range of products and services. The DIFC aims to become the centre of product innovation by encouraging the development and structuring of more complex, liquid and long-term Islamic products that will satisfy the broad needs of investors and issuers.

Owing to its world-class supervision and regulation, the DIFC also plays an active role in international markets. By promoting sound accounting procedures and standards, the DIFC aims to provide a significant boost to the levels of transparency, accountability and credibility of Shari'a-compliant products, thus helping to integrate Islamic financial markets with global markets.

The overall framework and support extended to banks and financial institutions in the DIFC should continue to provide an environment conducive to the future development of Islamic finance and to meeting the growing financing needs of the region.

4.5 Designated Non-Financial Businesses or Professions ("DNFBP")

Service providers in the DIFC may sometimes be categorised as a "Designated Non-Financial Business or Profession", or "DNFBP" for short.

The term DNFBP is defined in the AML Module to mean the following class of persons whose business or profession is carried on in or from the DIFC:

(a) a real estate developer or agency which carries out transactions with a customer involving the buying or selling of real property;

(b) a dealer in precious metals or precious stones;

(c) a dealer in any saleable item of a price equal to or greater than US$ 15,000;

(d) a law firm, notary firm, or other independent legal business;

(e) an accounting firm, audit firm or insolvency firm;

(f) a company service provider; or

(g) a Single Family Office

Generally, DNFBPs consist of professional services firms or business infrastructure and corporate service offices, each considered below.

Professional Services

DIFC attracts high-calibre, reputable professional services firms, thereby providing a fully robust platform and effective operating environment to support the various types of activities and operational needs of financial institutions.

These services include accounting, tax and legal practises, compliance and management consultants, rating institutions and market information providers, amongst others.

The expertise that the world's major international professional services firms bring to the DIFC completes the process of building a world-class international financial centre.

The DIFC provides service providers with the kind of unique business opportunities that can only come from locating their operations in a true financial hub, which puts firms in close physical proximity to potential clients, as well as significant cross-border synergies across multiple industries and functions.

Service providers other than Designated Non-Financial Business or Professional (DNFBPs) that deliver services to licensed financial institutions are considered non-financial activities. As such, they do not require a DFSA registration but instead an approval from the DIFC Authority Registration Review Committee. Before commencing an application process, any provider of professional services should seek the advice of the DIFC Authority Business Development Team on the rules that apply and the documents required for the application.

It is important to note that all providers of legal consulting services (irrespective of what law they are advising on) require an approval from the Ruler's Court of Dubai to operate in the Emirate, including in the DIFC. The Ruler's Court is part of the Dubai Government and not affiliated with the DIFC. This approval must be obtained before the law firm in question submits its application to the DFSA. Please contact the Business Development team of the DIFC Authority for further information and advice.

Business Infrastructure & Corporate Offices

Outsourcing of business processing activities is gathering momentum as financial institutions seek to reduce costs, decrease investment in capital assets, and focus on their core business. In addition to outsourcing, a number of financial institutions are relocating some of their operations to other more cost-effective locations.

In order to service financial institutions that intend to offshore/consolidate their mid/back office functions, the DIFC aims to harness this growing opportunity by providing a productive base for financial institutions seeking to offshore/consolidate their mid/back office functions through world-class technology and associated infrastructure as well as a workforce of well-educated, multilingual and highly skilled professionals. Business support firms operating in the DIFC include IT consultants and software providers, HR specialists, recruitment firms, marketing and events managers, and providers of various administrative services – all adding value to the financial community in the DIFC.

The DIFC's Management Offices sector includes large multinationals that do not provide financial services under the DFSA rules, but for other reasons choose to establish activities within the DIFC. Such activities can include treasury and group re-invoicing, for example, allowing an entity to access the DIFC's world-class community of financial and professional services, and the possibility of using the DIFC's zero tax environment to their advantage.

Business infrastructure and corporate offices are considered non-financial activities and do not need a license or registration from the DFSA.

4.6 Capital Markets – Opportunities provided by NASDAQ Dubai and Dubai Mercantile Exchange

According to Deutsche Bank, between 2002 and 2011, Asian exchanges, excluding Japan and including those of the GCC, went from a 9 percent share of global market capitalisation total to a 21 percent share. The shift has

been driven by diversification, with major economies curtailing their dependence on oil.. It reflects an increasing understanding of the benefits of, and the corresponding need for, sophisticated capital markets among issuers and investors alike. Meanwhile, there has been a significant growth in regional IPO activity. The appetite for new issues is also being fuelled by the surge in regional liquidity, attributable in large part to the abundance of petrodollars, which in turn is attributed to increasing oil prices, as well as the repatriation of capital into the region.

NASDAQ Dubai (formerly DIFX) is geared to support the DIFC in these efforts by providing a liquid and transparent market for the many successful privately owned companies in the region and soon-to-be-privatised businesses that seek ways to raise capital through listings on an efficient stock exchange. Issuers benefit from improved regional and global visibility for their companies, while investors benefit from access to a wider range of investment opportunities.

NASDAQ Dubai provides an ideal platform to facilitate the mobilisation of capital in the primary markets and provide higher levels of liquidity for investors in the secondary markets. In order to achieve this objective, NASDAQ Dubai offers the following key incentives:

• A company is allowed to go public on NASDAQ Dubai with a minimum offer of 25 percent of its capital, which is significantly lower than the minimum requirement required on most regional exchanges.

• Companies intending to list on NASDAQ Dubai are free to set their own issue price when they sell shares through IPOs. In contrast, regulations in many countries in the region require companies to offer shares through IPOs at par or as estimated and evaluated by local authorities, which may be well below their true value.

NASDAQ Dubai also offers an opportunity to global companies from outside the region looking to list (or dual list) their shares on the exchange as a means of tapping into the large pool of investable assets in the region. For international investors, NASDAQ Dubai provides the main gateway to opportunities in the emerging markets of the region.

Dubai Mercantile Exchange (DME) is the region's leading international energy futures and commodities exchange, providing a financially secure, well-regulated and transparent trading environment. Majority owned by core shareholders the CME Group, Tatweer (a member of Dubai Holding), and the Oman Investment Fund (OIF), DME also released an equity stake of up to 20 percent in August 2008 to a strategic investor group including leading global financial institutions and energy trading firms such as Goldman Sachs, Morgan Stanley, J.P. Morgan, Vitol – a Shell Group Company, Concord and Casa Energy. DME is a fully electronic exchange, and its contracts are listed on CME Globex, the world's leading electronic trading platform, providing access to the broadest array of futures and options products available on any exchange (www.dubaimerc.com).

PART 2

OUTLOOK FOR THE MENA INSURANCE MARKET: Contributed by Moody's

CHAPTER 5

OVERVIEW OF THE GCC REINSURANCE SECTOR

Moody's Investors Service: GCC Reinsurance Rates continue to soften

With insurance markets in industrialised nations already mature, the Gulf Cooperation Council (GCC) insurance market presents an attractive medium-term growth opportunity for reinsurers. The market's low insurance penetration, combined with rising awareness of the benefits of insurance and a high number of infrastructure and hydrocarbon related projects, has resulted in stronger demand for both commercial and personal lines of insurance.

However, the high compound annual growth rate (CAGR) of 17% experienced in the GCC insurance market during the period 2006-2013 has not yet been fully reflected in reinsurance premiums. Indeed, as local and regional insurance carriers have become increasingly sophisticated, insurers have sought to capture more of the value chain by retaining more insurance business on balance sheet and ceding less to reinsurers. This, combined with the (i) overcapacity in the GCC reinsurance space, and (ii) limited natural catastrophe risks, has resulted in increased levels of coverage and a continued softening of reinsurance rates at the 1 January 2015 renewals for the region. We expect this to continue over the short-to-medium term, absent significant deteriorations in underwriting loss ratios.

Despite this, the regional reinsurance market looks set to expand over time as indicated by the recent establishment of Lloyd's of London in the Dubai International Financial Centre during March 2015. The GCC reinsurance market comprises both international and local reinsurers. The majority of international reinsurers focus on conventional reinsurance, underwriting larger commercial risks, often as the lead reinsurer, and in many cases providing the reinsurance expertise and capital to enable local insurers to act as fronting agents. Local reinsurers typically use their strong local knowledge and connections to write personal lines risks, with several focusing on providing retakaful (Shari'ah compliant reinsurance) coverage to the region. Although the capitalisation of local reinsurers is often strong compared to the risks underwritten, in many cases the local reinsurance market remains limited in terms of geographic coverage and to a lesser degree, line of business, exposing them to meaningful concentration risk.

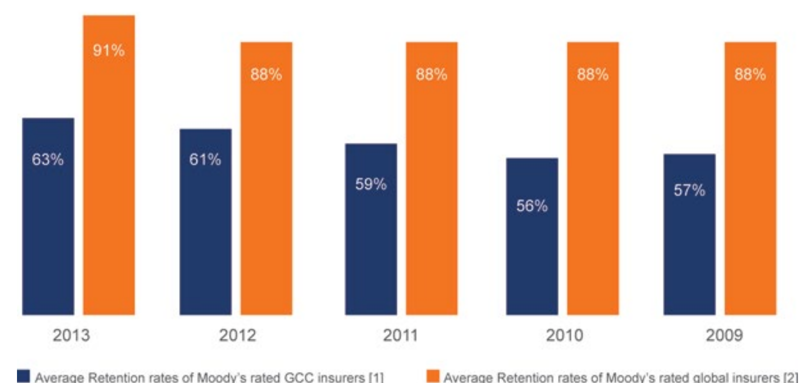
Structure of reinsurance market in the GCC – relatively high cession rates, albeit reducing in recent years

With stagnant growth in many major Western markets, the growing insurance market of the GCC presents an attractive opportunity to generate incremental revenues. Although the entire GCC region represents less than 0.5% of global insurance premium, very low regional insurance penetration, the high number of infrastructure and hydrocarbon related projects and typically low natural catastrophe risk, makes the GCC market attractive to global reinsurers. This is evident with the total number of authorised firms operating in the insurance and reinsurance sector expected to exceed 100 by the end of 2015 and carriers such as Catlin, XL Re, Korean Re all having set up in 2014. Additionally, local insurers are often keen to partner with international reinsurers to help develop pricing and risk selection capabilities. However, offsetting these opportunities, we note that economic activity in the region is correlated to global oil/gas prices, geo-political uncertainty in the region remains high and effective risk management is still in the development stage for many local insurers.

Nonetheless, use of reinsurance in the region is generally significant, with premium retention levels in the Middle East often low – on average 63%, compared to around 90% for some of the largest global insurers (exhibit 1). These low retention levels are often a result of providing insurance coverage to large hydrocarbon-related companies in the region. The potentially high claims such projects expose insurers to, as well as the specialist insurance skills required to effectively underwrite such risks, makes them a natural choice for ceding to reinsurers, although these projects expose reinsurers to the impact of lower current oil prices.

More recently, retention rates in the GCC have been increasing (exhibit 1), and we expect this trend to continue over the near-to-medium term. Historically, many GCC insurers have only carried relatively modest levels of net underwriting risk on their balance sheet relative to capitalisation levels. However, as insurers' pricing/risk selection and risk management skills advance, insurers are likely to continue to seek to increase the underwriting risk they retain.

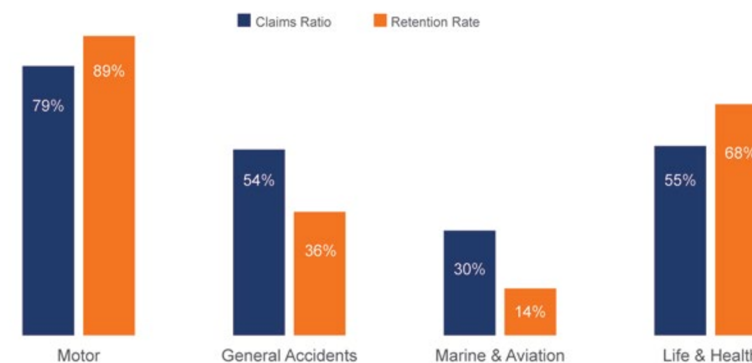
EXHIBIT 1 Average premium retention of Moody's rated insurers



source: Moody's Analysis

As is the case with more mature markets, cession rates vary by line of business. Within the GCC as elsewhere, insurers' retention rates are typically higher in low risk, high frequency lines of business, i.e., motor, life and health portfolios, and much lower on high risk, low frequency lines, i.e., marine & aviation, construction, engineering etc. (exhibit 2). The risk of potentially high claims from such projects, as well as the specialist insurance skills required to effectively underwrite these types of risks, makes them an obvious choice for ceding to reinsurers.

EXHIBIT 2 Average Retention and claims ratios of a sample of GCC insurers tend to vary by product line



source: Moody's Analysis based on a sample of rated insurers

Reinsurance counterparty risk can be meaningful

Notwithstanding the relatively shorter duration of insurance liabilities in the region, reinsurance counterparty risk is often significant in the GCC, reflecting the high initial cession rates to reinsurers. The high cession rate effectively replaces insurance risk with counterparty risk, although we note that such counterparties tend to be highly rated.

Overview of Reinsurance Market in the GCC: A Mix of International and Regional Players

The GCC reinsurance market is comprised of both international and local reinsurers. Established international reinsurers focus primarily on conventional insurance, primarily underwriting larger commercial risks. However, the increasing demand for Shari'ah compliant reinsurance amongst takaful insurers has led to international reinsurers such as Munich Re, Swiss Re and Hannover Re as well as regional reinsurers such as Takaful Re and Emirates Re catering to this rising reinsurance requirement.

More broadly, we expect that demand for reinsurance is likely to remain higher in commercial lines (e.g. marine, cargo and engineering) due to the relatively unpredictable nature of claims compared to personal lines, where loss ratios typically follow a low risk, high frequency pattern. Even allowing for profit commission payments from reinsurers to their cedants, we expect commercial reinsurance to remain a more attractive segment for reinsurers than personal lines over the near-term.

Local Reinsurers Show More Concentration than Global Peers

The capitalisation of local reinsurers is often strong, with gross underwriting leverage (GUL) around 2x, than those of the largest global reinsurers, which have GUL of around 2.6x. However, local reinsurers tend to remain concentrated in terms of geography and also, to a lesser extent, by line of business. Conversely, most highly rated global reinsurers benefit from substantial geographic and line of business diversification. We expect local reinsurers to continue diversifying geographically, with some of them becoming increasingly active in Asian and African markets. Although such expansion should be subject to prudent risk management, over time additional diversification will strengthen local players' risk profiles.

GCC Reinsurance Rates Continued to Soften at 1 January 2015 – Further Reductions Anticipated

Due to excess insurance capacity, the primary insurance rates in the GCC region have continued to soften in 2014 (exhibit 3), particularly in Qatar. As per the Marsh Risk Management research, the only primary lines that have experienced some rate increase are "employee benefits-health" and "medical malpractice". We also anticipate continued positive remedial pricing actions in Saudi as insurers look to restore their levels of profitability, and in some cases, their capital adequacy.

This ongoing primary market rate softening, together with overcapacity in the global reinsurance market, will likely put further downward pressure on reinsurance rates within the region. Despite these declining rates, many reinsurers still find this region attractive, particularly from a geographic diversification perspective and limited natcat exposure. This will lead to further pressure on already declining reinsurance rates in the region, worsening a market already with signs of excess-capacity. As noted by Willis Re, this overcapacity had led to property catastrophe loss free policies typically declining 10% at January 2015 across the Middle East, with property risk loss free accounts also down approximately 5%. These rate reductions, combined with a loosening of terms and conditions (e.g. lower attachment points on XL treaties and broader coverage provided by reinsurers) will exacerbate profitability pressures over time.

Reinsurers remain attracted to the GCC region, but the appetite for the region is not infinite. For example, SCOR announced that, as part of its 2015 January renewals, gross premiums for the Middle East and Africa had declined ~5% to EUR164m (2014: EUR173m) as a result of the cancellation of major programmes, indicating that reinsurance rates in the region could be approaching a tipping-point in terms of risk adjusted profitability.

EXHIBIT 3 Primary insurance movements in selected GCC countries

2014	UAE	Qatar	Bahrain
General Liability	Down 0-10%	Down 0-10%	Stable -5% to+5%
Motor	Stable -5% to+5%	Down 0-10%	
Workers' Compensation/ Employers' Liability	Down 0-10%	Down 0-20%	
Property - catastrophe exposed		Down 0-20%	Stable -5% to+5%
Property - non catastrophe exposed	Stable -5% to+5%	Down 0-20%	Down 0-10%
Directors & Officers	Down 0-10%	Down 0-10%	Stable -5% to+5%
Financial Institutions	Up 10-20%	Down 0-10%	Down 0-10%
Professional Liability	Down 0-10%	Down 0-10%	Down 0-10%
Medical Malpractice	Up 10-20%	Up 0-10%	Up 0-10%
Marine Cargo	Down 0-10%	Down 10-20%	Down 0-10%
Employee Benefits - Health	Up 10-20%	Up 0-10%	
Employee Benefits - Life	Down 0-10%	Down 0-10%	
Employee Benefits - Accidents & Health	Down 0-10%	Down 0-10%	

2013	UAE	Qatar	Bahrain	Oman	Saudi Arabia
General Liability	Down 10-20%	Down 0-10%	Stable -5% to+5%	Down 0-10%	Stable -5% to+5%
Motor	Down 0-10%	Down 0-10%	Up 0-10%	Down 0-10%	Up>30%
Workers' Compensation/ Employers' Liability	Down 10-20%	Down 0-10%		Down 0-10%	Stable -5% to+5%
Property - catastrophe exposed		Down 0-10%		Up 0-10%	Up 0-10%
Property - non catastrophe exposed	Down 0-10%	Down 0-10%	Up 0-10%	Down 0-10%	Up 0-10%
Directors & Officers	Down 10-20%	Down 0-10%	Stable -5% to+5%	Down 0-10%	
Financial Institutions	Down 0-10%		Stable -5% to+5%	Down 0-10%	
Professional Liability	Stable -5% to+5%	Down 0-10%	Stable -5% to+5%	Down 0-10%	
Medical Malpractice	Up 10-20%	Up 0-10%	Up 10-20%		Stable -5% to+5%
Marine Cargo	Down 10-20%	Down 0-10%		Down 0-10%	Down 0-10%
Employee Benefits - Health	Up 10-20%	Up 0-10%	Up 10-20%	Up 0-10%	Up 10-20%
Employee Benefits - Life	Down 10-20%	Down 0-10%	Up 10-20%	Down 0-10%	Stable -5% to+5%
Employee Benefits - Accidents & Health		Down 0-10%	Up 10-20%		Stable -5% to+5%

source: "EMEA Insurance Market Report 2015", February 2015,Marsh Risk Management Research

PART 3

LEGAL CONSIDERATIONS WHEN ESTABLISHING IN THE DIFC: Contributed by Clyde & Co

CHAPTER 6

INTRODUCTION TO CONDUCTING INSURANCE BUSINESS IN OR FROM THE DIFC

The DIFC and the DFSA have set out to create a world-class regulatory regime for all Financial Services, including insurance activities that are carried out in or from the DIFC. The Regulatory Law is the principal source of regulatory control, under which the DFSA is delegated powers of authorisation, licensing, supervision and enforcement over all insurance business, whether risk carriers, intermediaries, insurance management or back office support functions. Any (re)insurer looking to carry out business in or from the DIFC will be required to adhere to the DFSA's rules in the running of its business.

Article 41(1) of the Regulatory Law 2004 prohibits any Financial Services being carried on by way of business in or from the DIFC unless it is carried on by an Authorised Firm whose Licence authorises it to do so.

The General module of the DFSA Rulebook ("GEN') (as set out at www.dfsa.ae/Pages/LegalFramework/legislation.aspx) lists the various Financial Services. Firms that wish to carry on any Financial Services must, therefore, be licensed and authorised to do so by the DFSA. Once a firm has become authorised for a particular Financial Service, it is known as an "Authorised Firm".

By and large, insurance businesses in the DIFC generally fall into one of the following six categories:

- ***Insurers and reinsurers;***
- ***Insurance intermediaries (including insurance and reinsurance brokers, underwriting agents (including Insurance Managers and underwriting agents for Lloyd's syndicates) and Insurance Managers;***
- ***Captive insurers and captive managers;***
- ***Takaful Operators;***
- ***Representative offices; and***
- ***Insurance support operations (providing back office support functions, such as loss adjusters etc.).***

Each category is discussed separately in the following Chapters. This Chapter addresses issues that apply to all insurance businesses operating in and from the DIFC, namely:

• the types of insurance products that can be sold;

• classification of clients;

• accessing the wider GCC and Middle East Markets from the DIFC; and

• restrictions on insurance business that can be carried on in and from the DIFC.

The DIFC has already attracted more than 60 Authorised Firms that are able to provide underwriting capacity to local direct insurers through reinsurance arrangements. The strength of the DIFC as a reinsurance hub was enhanced by the establishment of Lloyd's of London in the DIFC in March 2015 (the first such platform in the Middle East).

6.1 Insurance Products in the DIFC

The DFSA Rulebook (General Module) categorises all types of insurance products into two categories: life and non-life (or general).

Special rules also apply in respect of contracts of life insurance that are categorised as "Long Term Insurance", which is defined as:

"A contract of [life insurance] expressed to be in force for more than one year, where under the terms of the contract any of the following conditions exist:

1. The payment of the whole or part of benefits is dependent on the termination or continuation of human life;

2. The payment of any part of the premiums is dependent

upon the termination or continuation of human life;

3. The benefits under the contract include payment of a some on marriage or on the birth of a child; or

4. The contract is a permanent health contract"

Composite insurance arrangements are not permitted, therefore where Insurers wish to transact business which falls within the definition of "Long Term Insurance", they will not be authorised to carry out General (non-life) Insurance Business unless that general business is limited to accident and/or sickness cover, as defined below.

A) Life insurance

There are 7 classes of life insurance, as follows:

Class I - Life and annuity: Contracts of insurance on human life or contracts to pay annuities on human life, but excluding, in each case, contracts within Class III below.

Class II - Marriage and birth: Contracts of insurance to provide a sum on marriage or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

Class III - Linked long term: Contracts of insurance on human life or contracts to pay annuities on human life where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

Class IV - Permanent health: Contracts of insurance providing specified benefits against risks of individuals becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that:

(i) are expressed to be in effect for a period of not less than five years, or until the normal retirement age for the individuals concerned, or without limit of time; and

(ii) either are not expressed to be terminable by the Insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.

Class V – Tontines.

Class VI - Capital redemption: Contracts, other than contracts in Class I to provide a capital sum at the end of a term.

Class VII - Pension fund management: (i) pension fund management contracts; or (ii) contracts of the kind mentioned in (i) that are combined with contracts of insurance covering either conservation of capital or payment of a minimum interest.

B) Non-Life (General) insurance

There are 8 classes of non-life (or general) insurance as follows:

Class 1 – Accident: Contracts of insurance providing fixed pecuniary benefits or benefits in the nature of indemnity, or a combination of both, against risks of the person insured:

(i) sustaining injury as the result of an accident or of an accident of a specified class;

(ii) dying as the result of an accident or of an accident of a specified class; or

(iii) becoming incapacitated in consequence of disease or of disease of a specified class;

inclusive of contracts relating to industrial injury and occupational disease.

Class 2 – Sickness: Contracts of insurance providing fixed pecuniary benefits or benefits in the nature of indemnity, or a combination of the two, against risks of loss to the persons insured attributable to sickness or infirmity.

Class 3 - Land vehicles: Contracts of insurance against loss of or damage to vehicles used on land, including motor vehicles, but excluding railway rolling stock.

Class 4 - Marine, aviation and transport: Contracts of insurance:

(i) against loss of or damage to railway rolling stock;

(ii) upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft;

(iii) upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels; or

(iv) against loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport.

Class 5 - Fire and other property damage: Contracts of insurance against loss of or damage to property, other than property to which classes 3 and 4 relate, due to fire, explosion, storm and natural forces other than storm, nuclear energy, land subsidence, hail, frost or any event, such as theft.

Class 6 – Liability: Contracts of insurance against risks of the persons insured incurring liabilities to third parties, including risks of damage arising out of or in connection with the use of motor vehicles on land, aircraft and vessels on the sea or on inland water, including third-party risks and carrier's liability.

• **Class 7a** – Credit: Contracts of insurance against risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure, otherwise than through insolvency, of debtors of theirs to pay their debts when due;

Class 7b – Suretyship:

(i) contracts of insurance against risks of loss to the persons insured arising from their having to perform contracts of guarantee entered into by them; or

(ii) contracts for fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee.

Class 8 – Other: Contracts of insurance:

(i) against risks of loss to the persons insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;

(iii) against risks of loss to the persons insured attributable to their incurring unforeseen expense;

(iv) against risks of loss to the persons insured attributable to their incurring legal expenses, including costs of litigation; and

(v) providing assistance, whether in cash or in kind, for persons who get into difficulties, whether while travelling, while away from home, while away from their permanent residence, or otherwise.

6.2 Client Classification - Who Can Insurers Sell to?

Insurers, Insurance Intermediaries and Insurance Managers (along with all Authorised Firms operating within the DIFC) are required to classify their clients as either Professional Clients or Retail Clients.

Client classification affects the requirements concerning the provision of information and marketing materials, specific disclosures for Long Term Insurance Business, suitability assessments and recommendations.

A) Professional Client

A Professional Client is defined as a person (natural person or body corporate) who:

1) either: i) has net assets (excluding the value of the person's primary residence) of at least $500,000 or ii) who is or has been, for the previous two years; an employee of the Authorised Firm or an employee in a professional position in another Authorised Firm;

2) appears, on reasonable grounds, to the Authorised Firm to have sufficient experience and understanding of relevant financial markets, products or transactions and any associated risks; and

3) has not elected to be treated as a Retail Client.

Therefore, all three criteria must be met to qualify as a Professional Client and a Professional Client must pass a sophistication test, as is common in many other jurisdictions.

Professional Clients will include collective investment funds, regulated pension funds, an Authorised Firm, a regulated financial institution, management company of a regulated pension fund, a government, government agency, central bank, or other monetary authority, public authority or state investment body, supranational organisations, authorised market institutions, regulated exchange or clearing house, a recognised listed company, a company with a share capital of $10,000,000, other institutional investors and, finally, personal investment vehicles.

Most Insurers, Captive Insurers, PCC's and Insurance Intermediaries will be classified as Professional Clients.

B) Retail Client

A "Retail Client" is a simple, inclusive definition as it includes everyone who does not fall within the definition of a "Professional Client." A person that otherwise falls within the definition of a Professional Client may elect to be treated as a Retail Client.

It is important to understand the differing requirements that apply to Retail Clients and Professional Clients:

• In order to carry on Financial Services with or for a Retail Client, an Authorised Firm must obtain an endorsement on its Licence authorising it to do so.

• In the case of Professional Clients, the regulatory requirements are less onerous and the protection afforded to Retail Clients does not always apply.

• A person may be a Professional Client in respect of a certain type of business but a Retail Client (and vice versa) in respect of other types of business or Financial Services.

• Authorised Firms may also elect to treat their Professional Clients as Retail Clients, or the Professional Client may request to be treated as a Retail Client.

In practical terms, two matters limit the direct Insurance Business that DIFC Insurers can transact with Retail Clients:

(i) the prohibition on direct insurance of UAE risks in or from the DIFC; and

(ii) restrictions imposed by regulatory authorities in other countries outside the UAE typically require insurers to be licensed in those jurisdictions in order to offer direct insurance.

Each of the above restrictions are discussed further in this Chapter). As a result, the DIFC insurance marketplace, at least for now, is largely limited to wholesale (re)Insurance Business and its application to Retail Clients is restricted. An exception to this general rule is direct insurance within the DIFC itself, which is permitted pursuant to DFSA Rulebook on Conduct of Business (COB) Module Rule 7.2.2.

6.3 Restrictions on Business in or from the DIFC

There are a number of important restrictions on insurance activities that may be conducted in or from the DIFC:

A) Direct Insurance of UAE Risks

The DIFC is a largely wholesale, rather than retail, marketplace for insurance. This is because the laws establishing the DIFC and the current DFSA rules provide that a DIFC insurance entity may not enter into, or act as an Insurance Intermediary for, any direct contract of insurance in respect of a risk based in the UAE. Therefore, the intention is that only (re)Insurance Business in relation to UAE based risks is to be conducted by way of reinsurance from the DIFC.

The exact terms of the restriction are set out in Article 4(4) of UAE Federal Law No. 8 of 2004 (the Financial Free Zone Law) which provides that "the performance of insurance activity in the State shall be limited to reinsurance". Article 4(4) of the Financial Free Zone Regulations provides further guidance in this respect: "Companies licensed by the relevant authorities in the Financial Free Zones and conducting insurance activity in the State shall be limited to reinsurance and reinsurance brokerage and will not be required to have a physical presence in the State".

COB Rule 7.2.2. clarifies the restriction as follows:

"An Authorised Firm must ensure that it does not:

(a) if it is an Insurer, Effect a Contract of Insurance or Carry Out a Contract of Insurance through an establishment maintained by it in the DIFC; or

(b) if it is an Insurance Intermediary, act in relation to a Contract of Insurance;

where the contract is in relation to a risk situated within the U.A.E, unless the risk is situated in the DIFC, or the contract is one of re-insurance."

Further, Article 24 of the UAE Insurance Law supports this restriction by restricting the business of insurance and reinsurance in the UAE to UAE public joint-stock companies, branches of a foreign insurance companies (which must appoint a local agent) or insurance agents, each of which must be registered and licensed by the UAE Insurance Authority.

In accordance with these provisions, DIFC based insurance businesses may not deal directly with retail customers in the UAE. DIFC Insurers must operate on a reinsurance basis for risks within the UAE. However:

1) the DIFC does permit reinsurance of UAE cedants on a 100% basis; and

2) DIFC Insurers and Intermediaries can effect or carry out, or intermediate on, direct insurance policies in respect of risks situated within the DIFC district (but not the rest of the UAE).

B) Composite Insurance

The DIFC imposes restrictions on Insurers undertaking Insurance Business on a composite basis, i.e. both general and long-term life insurance operations. COB Rule 7.2.3 states that an Insurer must not carry on, through an establishment maintained by it in the DIFC, both Long Term Insurance Business and General (non-life) Insurance Business, unless the General Insurance Business is restricted to Class 1 (accident) and/or Class 2 (sickness) cover. The categories of insurance products are discussed above.

C) Compliance with Foreign Law

Although the DIFC is, at present, largely a wholesale insurance market, direct insurance of natural persons outside the UAE is permitted. However, in practice, the DIFC insurance marketplace, at least for now, is largely limited to wholesale (re)Insurance Business due to restrictions imposed by regulatory authorities in other countries outside the UAE, which typically require insurers to be licensed in those jurisdictions in order to offer direct insurance.

The DFSA will not allow sales of policies to customers in (non-UAE) countries that breach the local rules in those jurisdictions. Further, an Insurance Intermediary in the DIFC must not place a contract of insurance with, or on behalf of, an insurer unless it has satisfied itself on reasonable grounds that the insurer may lawfully enter into that contract under the laws of the jurisdiction in which the insurer and the risk are located.

6.4 Accessing the Wider GCC and Middle East Markets from the DIFC

One of the main attractions for insurers, reinsurers, brokers and underwriting agents seeking to establish a presence in the DIFC is the possibility of using that presence as a regional hub for its business operations from which it can then gain access to other countries within the Middle East and, in particular, the countries of the GCC (the UAE, Qatar, Saudi Arabia, Kuwait, Oman and Bahrain). The GCC countries have seen a rapid expansion in their insurance sectors in recent years, which is expected to continue, as explained in Chapter 05 above. This has been combined with regulatory reform, increasing the attractiveness of those countries to new market entrants from abroad.

Establishing a presence in the DIFC provides insurance businesses with the opportunity to take advantage of the growth in the GCC insurance markets in one of two main ways: firstly, by way of reinsurance of direct insurers in those jurisdictions; and secondly by establishing further operations on "a hub and spoke" basis within those jurisdictions to take advantage of more direct access to the local marketplace within a particular country.

A) Reinsurance of Direct Insurers

On the reinsurance side, the majority of direct insurers throughout the GCC countries have historically relied heavily on reinsurance to provide underwriting capacity and expertise. It is common for reinsurers to have in place detailed reinsurance arrangements, giving them a high degree of control over the writing of direct risks by local insurers, either on a treaty or facultative basis. Importantly, subject to the exceptions below, there are currently few restrictions on direct insurers in the GCC, reinsuring up to 100% of their risk portfolio outside the jurisdiction with DIFC based reinsurers.

> *The advantage to reinsurers of having a base in the DIFC is that it provides a platform from which to expand local contacts and have a physical presence in the region from which marketing and business opportunities can be expanded.*

In Saudi Arabia, there are restrictions which require 60% of a Saudi insurer's book of direct risks to be retained by the insurer or reinsured with a Saudi-licensed reinsurer. This restriction applies to the risk portfolio as a whole, thereby enabling reinsurers to reinsure up to 100% of certain categories of risks.

In the UAE, Bahrain, Oman, Kuwait and Qatar, there are currently no specific restrictions on local direct Insurers reinsuring 100% with reinsurers based in the DIFC, subject to the direct insurer complying with (for example) ongoing solvency and capital requirements that may apply if it relies heavily on reinsurance protection.

B) Hub and Spoke Arrangements

A DIFC based company licensed as an Insurer, Insurance Intermediary or Insurance Manager could be used as a "regional hub" from which further branches or subsidiaries could be established in order to allow access to direct markets in GCC jurisdictions. Such a step would not be possible if the DIFC entity is itself a branch office, as in general a "branch of a branch" is not permitted in GCC jurisdictions. There may also be scope for the DIFC based Insurer, Insurance Intermediary or Insurance Manager to enter into joint ventures with local insurance partners in order to increase access to local direct markets.

The right of DIFC-registered companies to branch out further into the UAE to conduct reinsurance activities is enshrined in Federal Law No 8 of 2004 as follows:

> *[DIFC] Companies and Establishments may establish subsidiaries and branches in the [UAE] and may own companies or shares in companies operating in the State in accordance with the rules and regulation applicable in the [UAE].*

> *Companies and establishments wishing to carry on their activities within the [UAE], but outside [the DIFC], shall be subject to the federal laws applicable in the UAE including the civil and commercial federal laws and the implementing resolutions thereof…*

Further, as a UAE registered company (albeit within the DIFC), a DIFC-registered company can also establish branches or further subsidiaries in other GCC countries, subject to local rules in those jurisdictions.

CHAPTER 7

INSURERS & REINSURERS IN THE DIFC

7.1 Relevant Financial Services Licence

In order to act as an insurer or reinsurer in or from the DIFC, an entity must be authorised by the DFSA to undertake the Financial Services of:

(a) Effecting Contracts of Insurance - which is defined as effecting Contracts of Insurance as principal; and

(b) Carrying Out Contracts of Insurance - which is defined as carrying out Contracts of Insurance as principal.

The definition of Contract of Insurance includes contracts of reinsurance. The types of insurance contracts are described in Chapter 06.

The two Financial Services of Effecting or Carrying Out Contracts of Insurance are known as undertaking "Insurance Business" (which, again, includes reinsurance business). Entities in the DIFC that undertake Insurance (or reinsurance) Business are described as "Insurers".

7.2 Restrictions on Insurance Business

A) Other Activities

DIFC Insurers must not carry out any activity other than Insurance Business, unless it is an activity in direct connection with, or for the purposes of, such business.

In general, Managing Assets are not normally considered to be in direct connection with or for the purposes of Insurance Business. By way of guidance, the following activities will generally be permitted for an Insurer as they are considered to be in direct connection with or for the purposes of Insurance Business:

(a) investing, reinvesting or trading as investor or rabb ul maal and for the Insurer's own account (or a subsidiary or holding company), but not any other party, in securities, loans, investment accounts, units or shares in collective investment funds, certificates of mudaraba or musharaka or other forms of investment that are intended to earn profit or return for the investor;

(b) rendering other services related to Insurance Business operations, including, but not limited to actuarial, risk assessment, loss prevention, safety engineering, data processing, accounting, claims handling, loss assessment, appraisal and collection services;

(c) acting as an agent for another insurer in respect of contracts of insurance in which both insurers participate; or

(d) establishing subsidiaries or associates to do any of the above.

B) Direct Insurance

The restrictions in respect of direct Insurance Business that can be written from within the DIFC are explained in Chapter 6. Therefore, for practical purposes, the vast majority of Insurers operating within the DIFC do so on a reinsurance basis but there is increasing scope for direct Insurance Business to be written, and the direct insurance of DIFC based risks presents opportunities in this regard.

CHAPTER 8

INSURANCE INTERMEDIARIES AND INSURANCE MANAGERS IN THE DIFC

8.1 Relevant Financial Services Licence

In the DIFC, insurance intermediaries can fall into a number of different categories, primarily:

- insurance and reinsurance brokers;
- underwriting agents (underwriting agents for Lloyd's syndicates);
- third party administrators; and
- captive managers.

While the business activities undertaken by the above entities may be significantly different, under the DFSA Rulebook, such activities require authorisation by the DFSA to undertake either one or both of the Financial Services of:

(a) Insurance Intermediation; and/or

(b) Insurance Management.

Since Insurance Intermediaries and Insurance Managers are not risk carriers, a lower level of regulation applies and Insurance Intermediaries and Insurance Managers are both classified as "Category 4" firms in the Prudential – Insurance Business module of the DFSA Rulebook.

8.2 Insurance Intermediation

Insurance Intermediation is broadly defined and includes the activities typically undertaken by insurance and reinsurance brokers and underwriting agents alike. The definition of Insurance Intermediation is as follows:

"(1) Insurance Intermediation means:

(a) advising on insurance;

(b) acting as agent for another Person in relation to the buying or selling of insurance for that other Person; or

(c) making arrangements with a view to another Person, whether as principal or agent, buying insurance.

(2) In (1)(a), 'advising' means giving advice to a Person in his capacity as a policyholder or potential policyholder, or in his capacity as agent for a policyholder or potential policyholder on the merits of his entering into a Contract of Insurance whether as principal or agent.

(3) In (2), 'advice' includes a statement, opinion or report:

(a) where the intention is to influence a Person, in making a decision, to select a particular Contract of Insurance or insurance cover; or

(b) which could reasonably be regarded as being intended to have such influence.

(4) The arrangements in (1)(c) include arrangements which do not bring about the transaction.

(5) The arrangements in (1)(c) do not include arrangements of the kind described in [GEN] Rule 2.26.1 that constitute marketing."

The usual categories of services which fall within the category of Insurance Intermediation are re-insurance brokers and underwriting agents operating under a binding authority or those who refer business from the DIFC to risk carriers within their organisation.

Several international brokers have established a business presence in the DIFC, along with a number of underwriting agents, including Lloyd's syndicates. Those brokers can operate as traditional brokers placing reinsurance policies in or from the DIFC. Alternatively, foreign insurers (including Lloyd's syndicates) can, and have, opted to set up Insurance Intermediaries within the DIFC acting in the form of an underwriting agency for the insurer based elsewhere. The underwriting agency is authorised to intermediate those reinsurance risks by

placing them under a binding authority arrangement on behalf of the insurer.

8.3 Insurance Management

Insurance Management is defined as:

(1) […] providing management services or exercising managerial function for an insurer;

(2) In (1) management services and managerial functions include administration and underwriting.

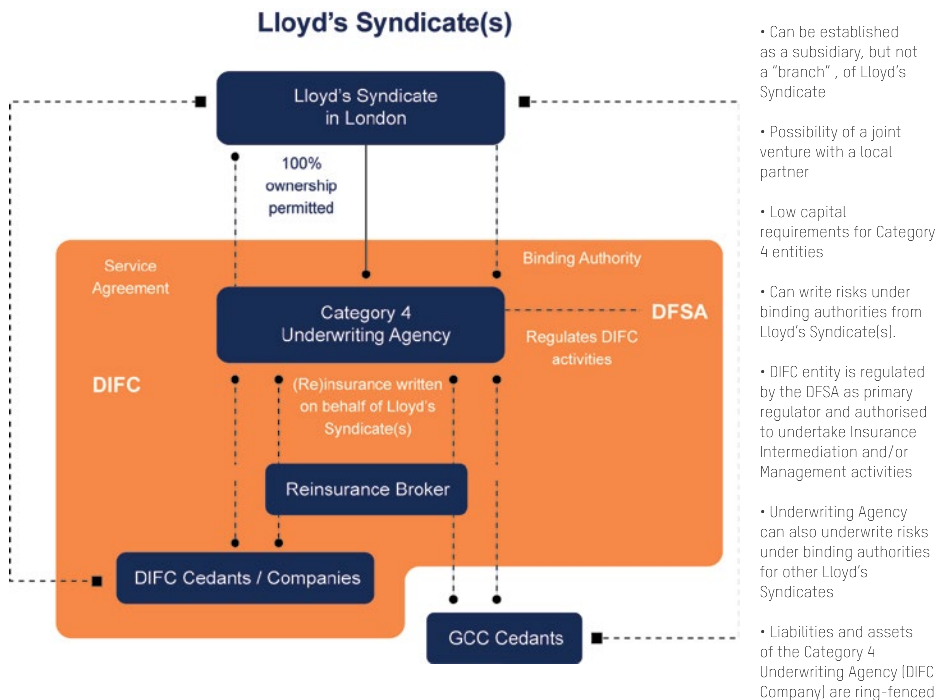
(3) In (1) an 'insurer' means a Person effecting or carrying out Contracts of Insurance

This category applies to a wide range of insurance management services, which could include, for example, management of a Captive Insurer or Protected Cell Companies by an external third party. This category is also aimed at third party administration businesses established to service the back office function of insurers in the region (but does not cover the internal management activities of those insurers themselves). However, this authorisation is subject to restriction on the provision of TPA services (for example, in relation to health insurance) which may only be provided in the UAE by an entity licensed by the UAE Insurance Authority.

8.4 Lloyd's of London

On the back of growing demand from Managing Agents in London, in March 2015, Lloyd's of London established a platform in the DIFC.

A number of Lloyd's syndicates providing reinsurance cover in the MENA region have already established a presence in the DIFC. At the time of publication, 4 Lloyd's



Service companies are operating out of the DIFC and a number of Lloyd's approved Coverholders are also operational out of the centre.

Typically, rather than establishing separate risk carriers in the DIFC, Lloyd's service companies have opted to establish Insurance Intermediaries in the DIFC which act as underwriting agents, placing reinsurance risks under a binding authority arrangement on behalf of the relevant Lloyd's syndicate. The typical Lloyd's syndicate arrangement can be represented as follows:

Whereas the Corporation of Lloyd's is initially structured as a Non-Regulated entity, it is unsure as to what the long-term position Lloyd's will take with the regulatory body, the DFSA. For example, the DFSA may create a separate regulatory regime specifically for Lloyd's and Lloyd's Service Companies providing a single licensing establishment process and/or dual regulation by the DFSA and Lloyd's. This will become clear in 2015/2016 once Lloyd's has established itself in the DIFC.

Whatever form the Lloyd's DIFC establishment takes, the announcement from Lloyd's of London solidifies the DIFC's position as the key reinsurance hub for the MENA region. Further, it is anticipated that an increased Lloyd's presence will benefit the insurance market, both in the DIFC and the MENA region, particularly in the development of local policy wordings.

8.5 Restrictions on Insurance Intermediation and Insurance Management

The restrictions in respect of direct Insurance Business that can be written from within the DIFC is explained in Chapter 6. In relation to Insurance Intermediaries, COB Rule 7.2.2 provides that an Insurance Intermediary, must not "act in relation to a Contract of Insurance…where the contract is in relation to a risk situated within the U.A.E, unless the risk is situated in the DIFC, or the contract is one of re-insurance." Therefore, in practice, brokers and/or underwriting agents established in the DIFC generally place reinsurance business only.

While COB 7.2.2 does not specifically apply to Insurance Managers, it is important to note that there is a general prohibition, which applies to all entities established in the DIFC, in respect of the carrying on of any business activities in the UAE outside the geographical boundaries of the DIFC. Therefore, any administration and/or management services provided by an Insurance Manager must be provided by the Insurance Manager in or from the DIFC.

CHAPTER 9

CAPTIVE INSURERS IN THE DIFC

9.2 Captive Insurers

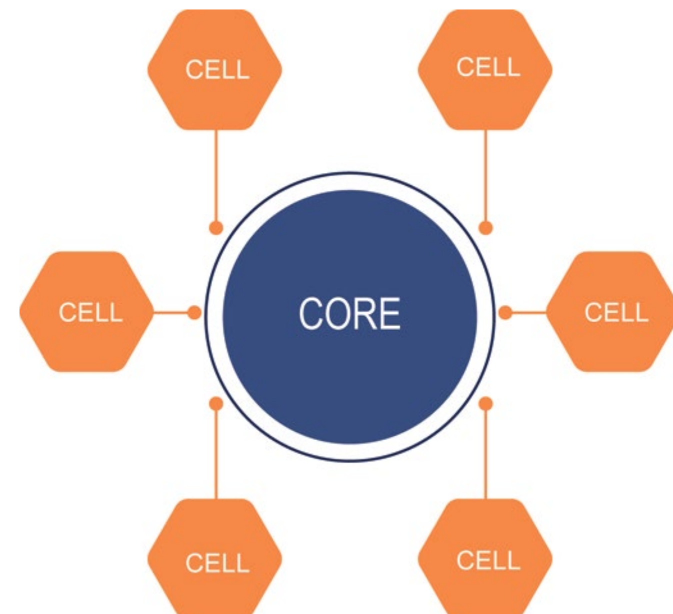
The DFSA's Rulebook provides for the authorisation of a Captive Insurer, which is a stand-alone insurance company established primarily to insure the risks of its owner/s or related entities. The parent shares in the fortune of the captive, which can provide both underwriting profit and investment return. The Captive Insurer can provide any conventional insurance coverage as well as those lines of business that are difficult to insure in the conventional market. A properly designed Captive Insurer provides its insured with the ability to create a risk financing programme that offers flexibility, stability and control.

A Captive Insurer may be established by a single owner (a "Single Parent Captive"), or by several unrelated firms in the same industry or trade sector to underwrite their risks (a "Group Captive"). A Group Captive is typically utilised by similar businesses, associations, industry or trade groups or governments. Because one member's bad insurance experience may have implications for the other members, Group Captives need more careful management and regulation than a Single Parent Captive.

A Captive Insurer is usually managed under contract by a third party insurance manager, often referred to as the "Captive Manager". The Captive Manager carries out the strategic decisions made by the board of directors of the Captive Insurer and has as much authority as is granted to them under the terms of the management agreement.

9.2 Protected Cell Companies ("PCC")

A PCC is a single company consisting of a core and an indefinite number of cells, which are legally ring-fenced from each other. . It is the core of the PCC that retains the legal identity.



Each cell has assets and liabilities attributed to it and its assets cannot be used to meet the liabilities of any other cell. The company will also have non-cellular (core) assets, which may be used to meet liabilities that cannot be attributed to a single cell.

A PCC can create and issue cell shares in respect of any cell, but the company is managed by a single board which sits at the core level. A cell of a PCC can be used as a Captive Insurer, with the cell shares held by the Captive Insurer's parent.

PCC's lower the access point to captive solutions, allowing smaller firms to avail themselves of the benefits of a Captive Insurer without the need to put up large amounts of money required to capitalise and separately manage a Captive Insurer.

A common use of this structure involves the establishment of the PCC by an Insurance Manager. The Insurance Manager is responsible for the licensing and administration of the core and associated cells. A cell operating as a Captive Insurer could then be offered to any client that wanted one, without the need to set up a new company, appoint directors, etc. This is commonly referred to as a "Rent-a-Captive" arrangement. Another way of operating would be for a group to establish a Single Parent PCC. A cell could be created for each operating division / region.

9.3 Captive Managers

Captive managers can be established in the DIFC, and must be authorised by the DFSA to undertake the Financial Service of Insurance Management.

CHAPTER 10

TAKAFUL OPERATORS IN THE DIFC

10.1 Introduction to Takaful

Takaful and Re-Takaful are, broadly speaking, insurance products that have been certified as Shari'a-compliant. The market, however, for Takaful products is not limited to Muslim customers or territories, and the sale of Takaful products to non-Muslims is an increasingly important part of that business as Takaful products appeal to non-Muslims either on the basis of the ethical investment policies and claims procedures associated with Takaful or on a competitive basis because of the scope to receive periodic surplus distributions.

It is generally accepted that conventional insurance does not comply with the requirements imposed by Shari'a Law. Therefore, firms which wish to market (Re)Takaful insurance products must ensure that their operations and products are structured so as to comply with prohibitions in respect of gharar (i.e. excessive uncertainty that would make it non-compliant with Shari'a principles), riba (i.e. interest) and maisir (i.e. gambling). Riba is of particular relevance to family Takaful (life insurance) products which tend to involve significant investment elements.

It is also necessary to ensure that the income of the Takaful operations is invested in a Shari'a-compliant manner.

The word Takaful simply means "joint guarantee" and reflects that Shari'a compliant insurance must be based on the cooperation and mutuality of the policyholders (the "participants"). The "insurer" is called an "operator" whilst "premiums" are termed "contributions". A Takaful operator requires a Shari'a board to issue a "fatwa" approving the Takaful products. The "reinsurance" of Takaful operators is termed "Re-Takaful". Commercial Takaful has the following essential elements:

• no transfer of risk from participants to takaful operator;

• every participant paying a contribution by way of donation (tabarru) to a pool of funds managed by the takaful operator in accordance with wakal (agency) or mudaraba (partnership) principles;

• mutual agreement between the participants to utilize the pool of funds to indemnify each other in respect of defined risks;

• segregation of the pool of funds from the assets of the takaful operator;

• investment of contributions based upon Shari'a compliant principles of social responsibility and avoiding prohibited activities / sections (such as alcohol, weapons manufacture or gambling);

• avoiding advantage at the cost of others through the return of surplus to the participants on a periodic basis (typically annually); and

• risk and return is shared between the user (the takaful operator) and the provider (the participant) of capital and aligned with Shari'a principles.

There are a number of ways in which Takaful insurance products can be structured and, since Takaful products were first introduced in 1979, the market has seen substantial growth, but has not yet realised its full potential, as discussed in Chapter 4.

The DIFC is keen to encourage the growth of the Takaful sector and is ideally located to allow insurance businesses to access [Muslim?] customers in the Middle East and worldwide, whose number exceeds one billion people.

10.2 Relevant Financial Services

In order to act as a Takaful operator in or from the DIFC, an entity must be authorised by the DFSA to undertake the Financial Services of:

(a) Effecting Contracts of Insurance; and

(b) Carrying Out Contracts of Insurance.

In addition to complying with the DFSA's Rules which apply to conventional DIFC Insurers, Takaful operators must also comply with the Islamic Finance Rules module of the DFSA Rulebook (IFR) (which is available at: www.dfsa.ae/Pages/LegalFramework/Legislation.aspx). IFR contains the provisions that apply for all Islamic business and operations, including Takaful. IFR includes provisions in relation to the following:

(a) Systems and controls requirements to ensure compliance with Shari'a requirements.;

(b) Requirements in relation to the appointment of a Shari'a Supervisory Board;

(c) Requirements in relation to Shari'a reviews;

(d) Prudential requirements;

(e) Accounting and auditing requirements; and

(f) Specific disclosure requirements for Takaful insurance with a Retail Client.

10.3 Restrictions on Takaful Business

The restrictions in respect of Insurance Business that apply to conventional DIFC Insurers (discussed in Chapters 6 and 7) will apply equally to Takaful operators.

CHAPTER 11

REPRESENTATIVE OFFICES

11.1 Permitted Activities of a Representative Office

The Financial Service of Operating a Representative Office permits financial service providers outside the DIFC to establish a business presence in the DIFC for the purposes of marketing financial products and services offered by the Representative Office's head office or a member of its group located outside the DIFC.

In this context, "marketing" is defined in GEN Rule 2.26.1 as:

"(a) providing information on one or more financial products or financial services;

(b) engaging in promotions in relation to (a); or

(c) making introductions or referrals in connection with the offer of financial services or financial products"

Therefore, a Representative Office can merely make referrals or introductions and provide information and must ensure that does not:

(a) provide opinions, recommendations, or specific investment advice (which would constitute the Financial Services of Advising on Financial Products or Credit or Insurance Intermediation);

(b) receive and/or transmit orders in relation to a financial product (which would constitute the Financial Services of Arranging Credit or Deals in Investments or Insurance Intermediation); or

(c) fill in or assist in filling in an application form for financial products (which would amount to the Financial Services of Arranging Credit or Deals in Investments or Insurance Intermediation).

A Representative Office can:

(a) Distribute investment research, however, it will need to ensure that:

(i) the investment research does not contain advice on financial products or credit (including any recommendation, explicit or implicit, to buy, sell or hold a particular investment); or

(ii) where investment research does contain advice or a recommendation, to include a clear warning statement on the face of the investment research that the investment research is provided for information purposes only, that it should not be relied or acted on by the recipient, and that it is not a recommendation for the recipient to buy sell or hold a particular investment.

(d) Distribute a Prospectus, however, it will need to ensure that it does not advise on the financial product or credit which is the subject matter of the Prospectus. This can be done by including a warning statement on the face of the Prospectus in similar terms to that noted above for investment research. It should also take reasonable steps to ensure that the recipient cannot otherwise assume that the Prospectus is intended to be acted upon for example by removing from any Prospectus the associated application forms.

(e) Market funds, however, again it will need to ensure that it does not advise on the fund. This can be done by including a warning statement on the face of the marketing material in similar terms to that noted above for investment research.

If a Representative Office is distributing marketing material in the form of an insurance proposal, banking services proposal, prospectus or other offering document, it must include a warning and other disclosures required in REP Rule 4.6.5.

11.2 Applicable Rulebook Modules

Because of the limited nature of the Financial Service of Operating a Representative Office, much of the DFSA Rulebook has been disapplied for Representative Offices, with the majority of rules applying to a Representative Office provided for in a separate Representative Office module to the DFSA Rulebook (REP). REP sets out substantive authorisation requirements for Representative Offices together with the Principles and Rules which will, nevertheless, apply to the limited marketing activity allowed.

However, a Representative Office should ensure that it complies with and has regard to the relevant provisions in other applicable DFSA Rulebook Modules including AML, GEN, CIR and FER. The application section of each Rulebook module sets out which chapters, if any, apply to a Representative Office.

11.3 Variation of Licence

The Financial Service of Operating a Representative Office is a stand-alone activity. Therefore, once authorised, if a Representative Office wishes to undertake other Financial Services, it would need to upgrade its Licence to the appropriate Licence category (e.g. Advising on Financial Products or Credit, Arranging Credit or Deals in Investments or Insurance Intermediation).

Likewise, an existing Authorised Firms which is authorised to undertake other Financial Services may apply to vary its Licence to operate as a Representative Office. However, the firm would not be allowed to undertake any other Financial Service once its Licence is varied to a Representative Office Licence. Further, if the Authorised Firm has any existing Clients, it will need to bring such relationships with clients to an end as part of the downgrade to a Representative Office Licence.

11.4 Appointment of Principal Representative

A Representative Office must appoint a Principal Representative who is resident in the UAE. The Principal Representative is responsible for the day to day operation of the Representative Office, including compliance and anti-money laundering matters. While the Principal Representative is not a Licensed Function, the individual must have satisfied the DFSA as to their fitness and propriety.

11.5 Insurance Support Operations

It is common in the region for insurers and reinsurers to outsource a variety of their functions to other businesses, with specialisations in those fields. The DIFC enables a range of functions to be carried out by insurance support operations.

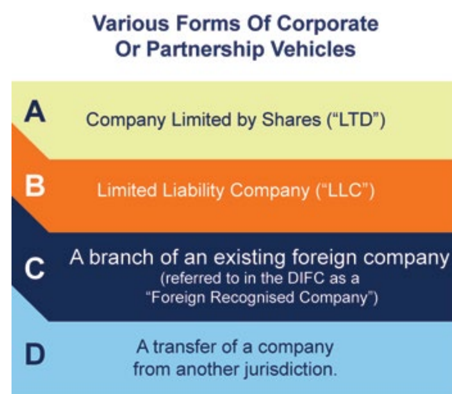
These entities will not generally require authorisation by, or registration with, the DFSA provided they do not carry out activities that fall within the definitions of Financial Services or DNFBPs. Such entities would be registered with and licensed by, the DIFC Authority as a non-regulated entity. The range of DNFBPs and other entities providing support functions to insurance businesses such as lawyers, accountants, actuaries etc. are considered further at Chapter 4 of this Guide.

CHAPTER 12

COMPANY LAW CONSIDERATIONS

12.1 Types of entities that can be established in the DIFC

Any entity wishing to carry on any form of business activity in or from the DIFC must establish a business presence in the DIFC. There are various forms of corporate or partnership vehicles available, including the following body corporate structures which are permitted by the DIFC Companies Law:



Similar partnership structures are also available under the DIFC Limited Partnership Law and DIFC Limited Liability Partnership Law.

12.2 Corporate Structures for Insurance Entities

If an applicant wishes to Carry Out or Effect Contracts of Insurance, it must be a "Body Corporate" under the DIFC Companies Law (as opposed to a partnership structure). Therefore, for Insurers, establishment in the DIFC is either by way of registration of a branch of a foreign company or by way of incorporation of new subsidiary corporate entity (most commonly in the form of a LTD) in the DIFC.

Insurance Intermediaries, Insurance Managers and insurance service providers carrying on non-regulated business in or from the DIFC are typically also established either as a branch of a foreign company, or a new subsidiary LTD incorporated in the DIFC, although other corporate vehicles may be used.

A Representative Office must be established in the DIFC as a branch of a financial institution regulated in another jurisdiction.

12.3 Difference between a LTD and a LLC

A LTD is defined in Article 31 of the DIFC Companies Law as "a Company incorporated by one or more Shareholders whose obligation is limited to the payment of the subscription price of their Shares".

A LLC is defined in Article 83 of the DIFC Companies Law as "a Company incorporated by one or more Members whose obligation is limited to pay the amount of their subscribed Membership Interest, which may not be represented by Securities". In turn, "Membership Interest" is defined as "the interest held by a Member in the share capital of a Limited Liability Company" and "Securities" is defined as "any negotiable instrument including but not limited to stocks, shares, debentures, warrants, certificates, units, options or any right to or interest in any such instrument". It is essentially the equivalent of a company limited by guarantee in the United Kingdom or Australia.

In most jurisdictions, the key advantage of a LLC over a LTD is that a corporate entity can be established in circumstances where there is no immediate need for capital to carry out the objects of the company. A LLC is therefore an attractive vehicle for non-profit organisations, such as charities, clubs and societies.

However, under the DIFC Companies Law, there is little difference between a LTD and LLC. Importantly, all shares of a LTD must be fully paid when allotted (Article 35(4)) and an LLC's share capital must also be fully subscribed and paid for upon incorporation (Article 88(4) of the DIFC Companies Law).

The primary restriction in relation to a LLC, which does not apply to a LTD, is that a LLC may not raise capital by offering Membership Interests by way of a public offer and may not issue Securities of any kind (Article 86 of the DIFC Companies Law).

A LTD's name must end with the word "Limited" while a LLC's name must end with the words "Limited Liability Company" or its abbreviation "LLC" (Articles 32 and 84 of the DIFC Companies Law).

In general, insurance entities are established in the DIFC as a LTD rather than a LLC.

12.4 Difference Between a Branch and a Subsidiary

The key difference between the establishment of a subsidiary LTD/LLC and branch is that a subsidiary will have separate legal personality to its parent company while a branch will not. Therefore, an advantage of establishing a subsidiary in the DIFC is that the DIFC subsidiary could be used in the future as a parent or holding company for expansion from the DIFC (i.e. the "hub and spoke" model discussed in Chapter 06 above). A further consequence of this distinction is that a branch can only be authorised to undertake activities which the company itself is authorised to undertake.

Other pros and cons to be weighed up in deciding whether to opt for a subsidiary LTD/LLC or a branch of a foreign company include:

• The DFSA will have due regard to the branch's home regulator and will act as a "secondary regulator".

• The financial rating of a subsidiary will be separate to that of its parent/s (unlike a branch office which would have the same financial rating as the parent entity).

• As a subsidiary has separate legal personality to its parent company, a subsidiary provides ring-fencing of assets and liabilities while a branch does not.

• A separate board of directors does not need to be appointed for a branch, while a subsidiary would require such appointments and for each director to be an Authorised Individual. As noted above, a subsidiary company must also appoint a company secretary, although this individual or company does not need to be authorised by the DFSA as an Authorised Individual.

• The branch will not be required to maintain separate capital (discussed in Chapter 13)

In practice, the DFSA has expressed a preference for Insurance Intermediaries and Insurance Managers to be established as separate subsidiary companies incorporated in the DIFC, as opposed to a branch of a foreign company. This is particularly the case where the DIFC entity proposes to act as underwriting agent for more than one risk carrier.

12.5 Directors and Company Secretary

The DIFC Companies Law requires a LTD to appoint a minimum of two directors. The requirement for directors to be authorised by the DFSA is discussed in Chapter 13. However, for insurance entities, the DFSA may require a board comprising of at least three directors, at least one of whom should be independent. This will also address the potential for deadlock situations, which could arise if the board comprised of only two directors.

The DIFC Companies Law also requires a LTD to appoint a company secretary, who is not a director of the company.

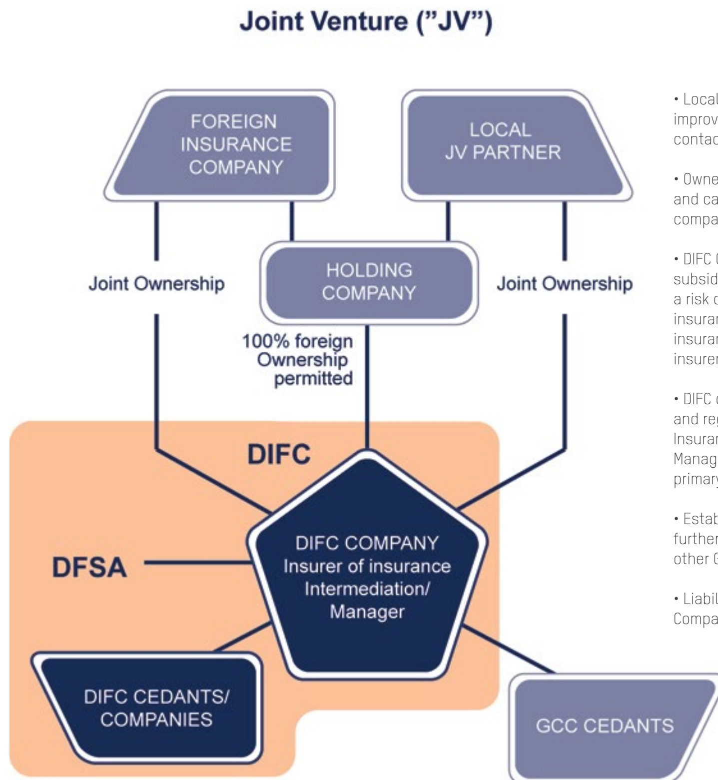
12.6 Articles of Association

The DIFC Companies Law provides for Standard Articles of Association which are to be adopted by a LTD ("Standard Articles"). Pursuant to Article 12(4) of the DIFC Companies Law, if Standard Articles have not been adopted by a company in their entirety, the company must submit to the DIFC ROC a written legal opinion from an external qualified legal adviser stating that the articles proposed

to be adopted comply with requirements of the DIFC Companies Law prior to such articles being adopted.

12.7 LTD and Joint Venture Structures

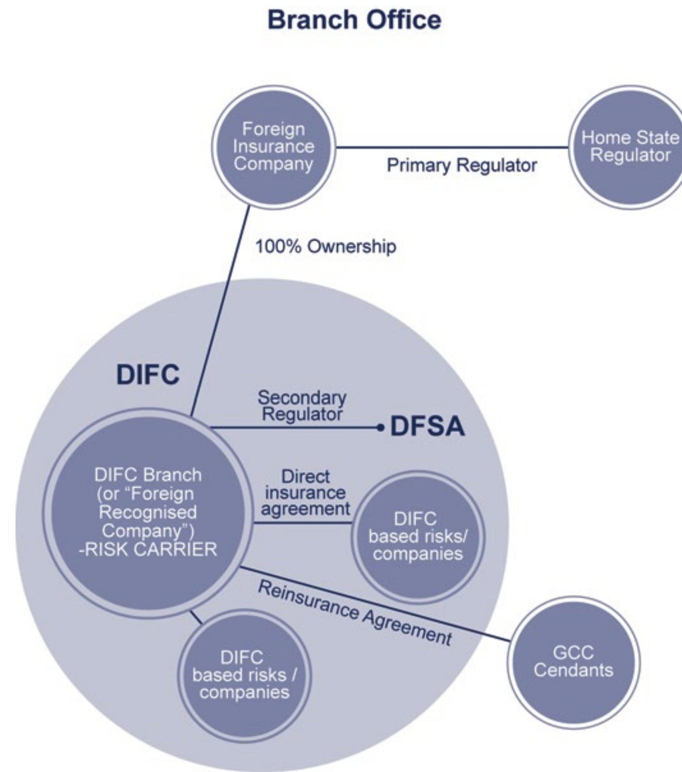
As noted in Chapter 2 of this Guide, 100% foreign ownership is permitted in the DIFC. Therefore, a LTD/LLC may be established either as a wholly owned-subsidiary of a foreign entity, or as a joint venture with another entity, potentially a local partner. The typical joint venture structure for insurance entities is represented as follows:



- Local joint venture partner can improve prospects for key local contacts
- Ownership proportions are flexible and can be arranged tby a holding company structure if required
- DIFC Company could be a new subsidiary insurance company (i.e. a risk carrier) or an intermediary or insurance manager (i.e. supervising insurance activities of two or more insurers)
- DIFC company would be authorised and regulated as a risk carrier or for Insurance Intermediation / Insurance Management services by the DFSA (as primary regulator)
- Establishing a DIFC company enables further branching into the UAE and other GCC countries
- Liabilities and assets of the DIFC Company will be ring-fenced

12.8 Branch Office Structure

In relation to Insurers established as a branch of a foreign insurance company, the typical structure can be represented as follows:



- Waiver of capital for branch likely to be agreed by DFSA if parent company is based in recognised jurisdiction
- Branch can underwirte reinsurance of DIFC cedants, as well as cedants from across the GCC
- Branch can also underwrite direct risks, including those that are based in the DIFC (but not the UAE generally), subject to local rules
- DFSA will be the secondary regulator and rely on home state regulator where possible to minimise regulatory burden
- Branch will carry the rating of tis parent entity
- Branch will be treated as the same legal entity as its parent (i.e. no ring-fencing of liabilities or assets)

CHAPTER 13

AUTHORISATION PROCESS & CAPITAL REQUIREMENTS

As discussed in Chapters 06 and 77, the insurance activities prescribed as Financial Services by the DFSA, and for which DFSA authorisation is therefore required, are: Effecting Contracts of Insurance, Carrying out Contracts of Insurance, Insurance Intermediation and Insurance Management. Once a firm has become authorised for a particular Financial Service, it is known as an "Authorised Firm". This chapter sets out the processes for registration and authorisation of insurance entities by the DFSA and the DIFC ROC. It should be read in conjunction with Chapter 14 which explains the criteria which the DFSA will take into account when considering an application for a Financial Services Licence and/or Authorised Individual status.

For further information, the General module ("GEN") (see www.dfsa.ae/Pages/legalFramework/Legislation.aspx) of the DFSA Rulebook sets out the requirements for Licence applications and applications for Authorised Individual status (including applications by existing Authorised Firms and Authorised Individuals to change the scope of or withdraw Financial Services or Licensed Functions).

13.1 Overview of the DFSA and DIFC ROC Authorisation, Licensing and Registration Processes

The application process for authorisation by the DFSA is, in practice, intertwined with the process for registration with and licensing by the DIFC ROC. The two application processes are necessarily made in tandem and should be considered together.

The following flowcharts present an overview of the DFSA and DIFC application and authorisation process and the likely timescales involved. The stated timelines are only indicative and vary on a case by case basis. Much will depend on the scale and complexity of the application, as well as on the steps the applicant has taken to prepare the application properly before submission.

Each stage of the application process is discussed separately in this Chapter.

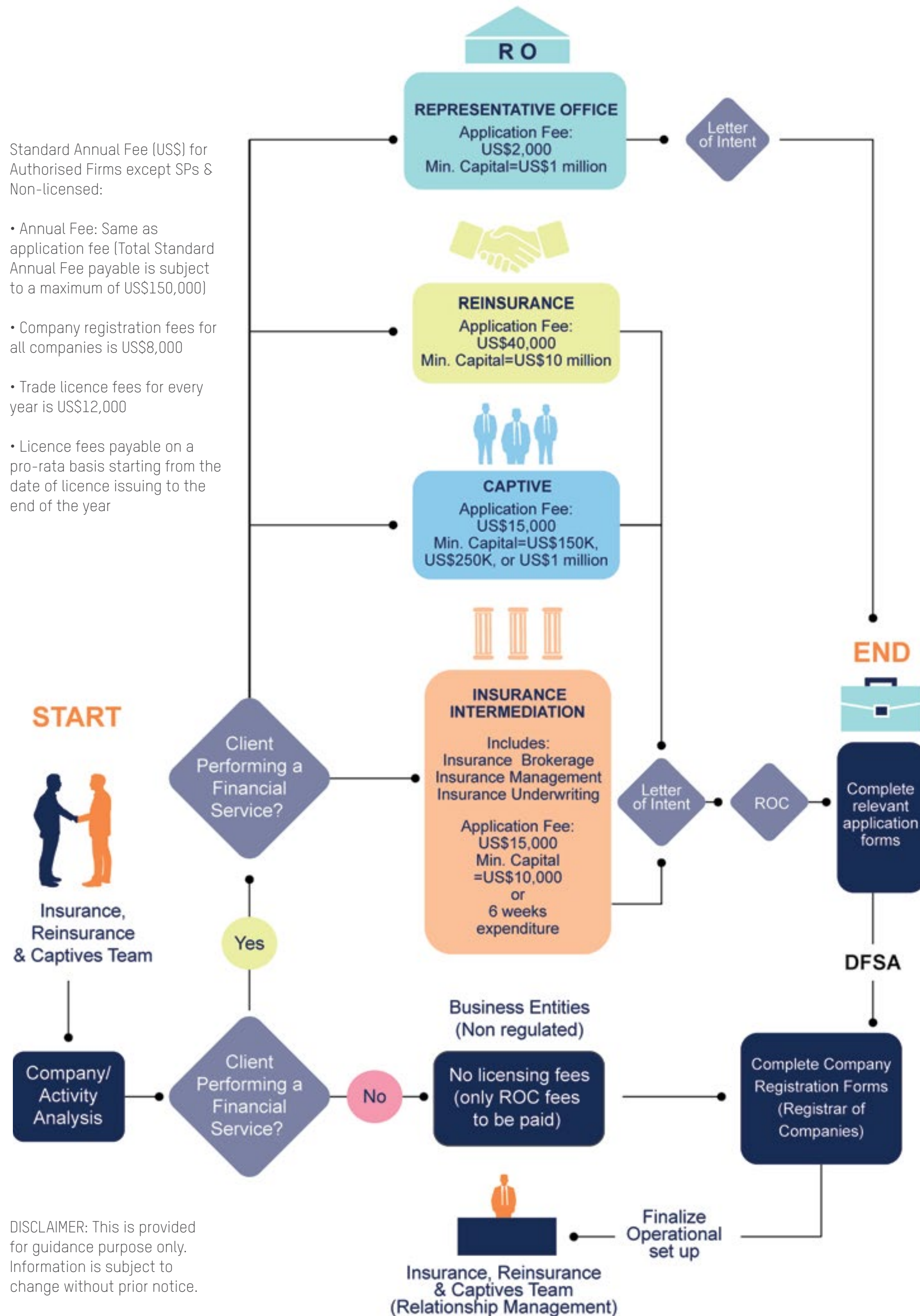
13.2 Stage 1: Pre-application meeting

Once the applicant has undertaken a feasibility study and prepared its draft Regulatory Business Plan, or RBP, that is a good point at which to contact the Authorisation Enquiries Team at the DFSA, and the Business Development at the DIFC Authority, and arrange an initial meeting to discuss the proposed business model and requirements for office space. This involves submitting a letter of intent to the DIFC Authority to commence the process. Applicants are well-advised to seek legal or other professional advice on their application process.

These preliminary meetings will generally be more productive if the applicant submits the RBP (at least in draft form if necessary) to the DFSA in advance. Informal discussions can then be held with the DFSA as to any road blocks anticipated in respect of the application and agreeing a timetable for submission of the application. The DFSA adopts an interactive and helpful approach which seeks to engage in open dialogue with the applicant firm about their application, so as to minimise the risk of encountering insurmountable hurdles further down the line, once significant costs and expense may have already been incurred.

While discussions are progressing with the DFSA, the applicant should also liaise with the DIFC Authority in respect of administrative/operational matters from this stage until the conclusion of authorisation with respect to office space, IT, visa and other ancillary matters.

At the start of the process, the applicant can submit an application (which is optional) to the DIFC ROC to reserve the company name, which protects against another applicant using that name.



13.3 Stage 2: Application to the DFSA for authorisation and "In Principle" approval

Once any initial hurdles have been overcome and the documentation agreed with the DFSA, a formal application for a Licence to conduct Financial Services in the DIFC is required to be made to the Authorisation section of the DFSA. For insurance related Financial Services, the application to the DFSA must be made on the prescribed application forms, accompanied by the relevant fees (discussed further below).

One of the key documents which will need to be enclosed with the forms to be submitted to the DFSA will be the applicant's RBP, which will map out for the DFSA how the applicant intends to undertake the Financial Services it is applying for, provide a 3-year business plan and detail the systems and controls which will be put in place (including, for example, compliance and anti-money laundering procedures) to manage and control the risks associated with the applicant's proposed activities. The contents of the RBP are discussed further below in this Chapter.

An important part of the authorisation process will require the applicant to identify the team of individuals it has recruited (or that it intends to recruit) to staff the operation. The DFSA will review the Authorised Individuals intended to fulfil the required roles within the firm (discussed further below in this Chapter). Authorisation is unlikely to be granted until such time as the Authorised Individuals have been identified and their credentials provided to the DFSA.

The DFSA will appoint a designated Case Officer to consider and process the application for authorisation. Soon after submission of the application, the DFSA will send an "Initial Review Letter" with their initial feedback on the application. The DFSA aims to provide this initial review letter within 10 business days. Further correspondence (and perhaps meetings) may ensue between the DFSA and the applicant/the applicant's advisors with respect to answering further queries and providing any outstanding information.

Once all outstanding documentation has been submitted and the Case Officer dealing with the matter is satisfied, the application is ready to be passed to the DFSA Authorisation Committee. The Authorisation Committee will consider the application and decide whether the firm should be granted an "In Principle" authorisation, which is presented in the form of a letter from the DFSA. Once the DFSA has completed its authorisation exercise to its satisfaction, a letter "In Principle" will be issued in respect of the new DIFC entity, subject to the fulfilment of certain prescribed conditions. The DFSA has an internal target of 4 months from submission of the application to the issuing of the "In Principle" approval.

Following the receipt of DFSA "In Principle" approval, steps can be taken to incorporate / register the new entity with the DIFC ROC (Stage 3, discussed below).

13.4 Stage 2: Documentation required by the DFSA and the RBP

There are a range of documents that the DFSA requires to be submitted in support of the application, and applicant firms are advised to familiarise themselves with the requirements and to start work on their preparation as early as possible. Many are in standard forms supplied by the DFSA on its website (see www.dfsa.ae – Sourcebook modules) including:

AUT CORE – Applying for Authorisation – Core Information Form

AUT INS – Applying for Authorisation – Insurance Supplement

AUT IND 1 – Application for authorisation – Authorised Individual status

Applicants may be required to complete more than one form and supplement depending upon the type of Financial Service the applicant proposes to carry out.

A crucial document that forms part of the application process is the applicant's RBP. Applicants will be expected to have a detailed business plan, which goes beyond a mere feasibility study and details the firm's intended systems and controls, in advance of making an application to the DFSA and/or DIFC.

The RBP must describe in detail any other activities to be undertaken, whether or not in connection with Financial Services. The plan must take into account the applicant's business activities forecast for the first three years.

Guidance in relation to the prescribed format for the RBP is contained in the DFSA Sourcebook Module "Applying for Authorisation – Notes for Applicants" Part 2. The RBP, which should be no longer than 50 pages, should detail the Applicant's strategy and rationale for establishing in DIFC and demonstrate how the business will be managed and controlled. Applicants should ensure that their RBP comprehensively covers the following areas:

A) Introduction and background

• Brief background to the firm

• High level description of the proposed entity and activities in the DIFC

B) Strategy and rationale

• Detailed strategic vision and rationale for the proposed entity, including a description of the firm's proposed activities in terms of the Financial Services defined in the GEN module of the DFSA Rulebook

• Details of the type of products and/or services the firm proposes to offer and the types of client the firm intends to target

• Which markets / regions the firm intends to target

• Details of main competitors and how the firm proposes to increase its market share

C) Organisational structure

• Proposed legal entity structure of applicant

• Relationship to head office, all Controllers and Group entities (where applicable) including organogram and description of intra-group commercial activities

• Details of overseas regulators of Group entities

D) Management structure and organisation (corporate governance)

• Structure and composition of the executive, non-executive and senior management of the applicant

• Roles, responsibilities and reporting lines of senior management

• Background and résumés of key executives

• Main committees and insight into the decision making and risk monitoring processes within the applicant firm

• Organogram of the entity's reporting lines to demonstrate separation of functions and independence of the compliance and internal audit functions

E) Proposed resources (non-financial resources)

• Human resources – proposed staffing and recruitment, including how the firm will supervise, train and monitor employees

• Where the firm's principal place of business will be

• Outsourcing arrangements (if relevant)

F) High level controls

• Risk Management approach, assessment and policies (e.g. credit, market, liquidity, operational, underwriting and reserving)

• Compliance (including Anti-Money Laundering and Counter Terrorist Financing policies)

• Internal audit

G) Financial projections

• Detailed financial projections for years one to three of the business, shown on a quarterly basis

• Assumptions made, capitalisation, liquidity, earnings and any associated risks

• Stress testing in relation to expected revenues and costs

Applicants should use diagrams to illustrate group, corporate or management structures and organisational design, governance arrangements and reporting lines. Flow charts may assist in detailing business/transaction processes and systems.

13.5 Stage 2: Capital Requirements

A) Risk Carriers

Capital requirements for Insurers are set out in the PIN module of the DFSA Rulebook. Appendix 4 to PIN provides that the minimum capital requirement for Insurers (who are not Captive Insurers - dealt with below) is US $10,000,000. There are also ongoing capital requirements set out in PIN which apply to Insurers.

For a branch office, the DFSA does not require capital to be held locally, but will require the capital to be held in a jurisdiction it recognises.
Generally, because an Insurer is required to maintain adequate capital resources at all times, the DFSA will require evidence that its systems and controls enable its directors to determine and monitor its capital requirements. The DFSA will also wish to satisfy itself that the Insurer can identify the capital resources that it has available and to identify occurrences where the capital resources fall short of the capital requirements or when they may fall short in the future. The DFSA does not expect Insurers to measure their precise amount of capital resources and capital requirements on a daily basis. However, Insurers should be in a position to demonstrate their capital adequacy at any time if asked to do so by the DFSA.

B) Captive Insurers and Protected Cell Companies

The DFSA's Rulebook provides for the authorisation of three classes of Captive Insurer, with different minimum capital requirements for each class:

Minimum Capital Requirements For Each Class

Class	Minimum Capital	Comment
Class 1 Captive Insurer: Designed for the insurance of risks only from its parent or related companies.	US$150,000	Subject to a lighter prudential regime than a traditional Insurer.
Class 2 Captive Insurer: Primarily designed for the insurance of risks only from its parent or related companies but may also accept up to 20% of its business from unrelated sources	US$250,000	Subject to a slightly stricter regulatory regime
Class 3 Captive Insurer: A Group Captive Insurer	US$1,000,000	Subject to a stricter regulatory regime reflecting the standards of a traditional authorised Insurer.

A Protected Cell Company must have:

• Minimum cellular assets of US$50,000; and

• Minimum non-cellular assets of US$50,000.

Cells of PCC's will operate and need to be authorised as Class 1, Class 2 or Class 3 Captive Insurers.

Captive Insurers and PCC's, like other Insurers in the DIFC, are subject to risk-based capital requirements. If these calculations lead to a higher figure than the minimum, then this higher figure will apply.

For full details of the capital requirements, please refer to the PIN in the DFSA Rulebook available on the DFSA website at www.dfsa.ae.

C) Insurance Intermediaries and Insurance Managers

Both Insurance Intermediaries and Insurance Managers are governed by the PIB module of the DFSA Rulebook. There are various requirements in this module which provide details on the capitalisation requirements necessary in order to set up different types of business.

Insurance Intermediaries and Managers are classified as "Category 4" Authorised Firms as defined in the PIB module of the DFSA Rulebook. Category 4 Authorised Firms are required by PIB to have minimum capital which is the higher of:

(a) US$10,000; or

(b) 18/52s of Annual Audited Expenditure if holding Insurance Monies and 6/52s if not holding Insurance Monies.

It is important to also note that PIB Rule 3.2.6(2) requires that "an Authorised Firm must notify the DFSA immediately and confirm in writing if its Capital Resources fall below 120% of the Capital Requirement". Therefore, in practice, Category 4 Authorised Firms are typically established with their first year's expenditure as their capital so as to avoid triggering this notification obligation. In any event, the DFSA is a risk-based regulator and this approach also applies to its capital requirements. The figures discussed above are minimum requirements and can be increased by the DFSA depending on the risk profile of the business model under consideration.

D) Representative Office

While there are no DFSA prescribed minimum capital requirements (which, as noted in Chapter 12, must be established in the DIFC as a branch of a financial institution regulated in another jurisdiction) for a Representative Office, a Representative Office is required to notify the DFSA immediately upon becoming aware that it is unlikely to remain solvent in the near future or that it is insolvent.

E) Insurance Support Operations

As discussed in Chapters 11 and 12, insurance support operations established in the DIFC will not generally require authorisation by, or registration with, the DFSA, provided they do not carry out activities that fall within the definitions of Financial Services or DNFBPs (discussed in Chapter 4). Such entities must be registered with, and licensed by, the DIFC Authority as a non-regulated entity. Under the DIFC Companies Regulations, entities that are not regulated by the DFSA are required to have minimum paid up share capital of US$50,000.

13.6 Stage 2: Authorised Individuals

Officers or employees who perform certain prescribed Licensed Functions (i.e. those listed in GEN Rules 7.4.2 to 7.4.9) on behalf of an Authorised Firm must be authorised by the DFSA in order to undertake those Licensed Functions (such persons are referred to as "Authorised Individuals"). These functions are materially linked to an Authorised Firm's management and/or the provision of its Financial Services. As a result, Authorised Individuals must meet particular standards relating to their experience, knowledge and qualifications. This is done in order for the DFSA to ensure the fitness and propriety of the individuals concerned in carrying out those Licensed Functions.

There are a number of mandatory appointments which an Authorised Firm must make, in respect of certain Licensed Functions, which must be held by Authorised Individuals. These are:

(a) Senior Executive Officer;

(b) Finance Officer;

(c) Compliance Officer; and

(d) Money Laundering Reporting Officer ("MLRO").

For a DIFC company, all directors of the company seeking to become an Authorised Firm must be licensed to carry out that function. Similar requirements apply to licensed partners of a partnership entity. As noted in Chapter 12, the DIFC Companies Law requires a Company Limited by Shares to appoint a minimum of two directors (who can be the individuals undertaking the mandatory Licensed Functions of SEO and/or Finance Officer for the company). However, for insurance entities, the DFSA may require a board comprising at least three directors, at least one of whom should be independent.

A firm must make separate applications for each individual it wishes to become authorised. Applicants will only be authorised if the DFSA is satisfied that they are "fit and proper" to carry out that role and that the functions of their role will be conducted and managed in a sound and prudent manner. The criteria considered by the DFSA in determining whether or not it will approve an Authorised Individual application are discussed in Chapter 14.

Pursuant to GEN Rule 7.5.2, the Senior Executive Officer, Compliance Officer and MLRO must be normally resident in the UAE. It is necessary to apply to the DFSA for a formal waiver of GEN Rule 7.5.2 if it is intended that the Senior Executive Officer, Compliance Officer or MLRO will be resident outside the UAE. Waivers are decided on a case-by-case basis. The residency requirement does not apply to the Finance Officer or any directors.

An Authorised Individual must be a natural person. Individuals are not authorised in their personal capacity, but only in the role that they perform for the Authorised Firm.

An Authorised Individual may perform one or more Licensed Functions for more than one Authorised Firm. However, the DFSA will need to be satisfied that the individual will be able to carry out his role effectively and that there will be no conflict of interest or that any actual or potential conflicts are appropriately managed.

13.7 Stage 3: Registration with the DIFC ROC

On receipt of the "In Principle" authorisation letter from the DFSA, this letter, along with the documents required to incorporate a (subsidiary) company or branch in the DIFC, must be submitted to the DIFC ROC for the company to be incorporated, or the branch to be registered. Any document not in English will need to be translated into English by a legally certified translator.

For a company, the documents required to be submitted to the DIFC ROC typically include:

(a) an online application form for the incorporation of a company limited by shares (this form must be completed and submitted via the DIFC ROC's online DIFC portal,);

(b) the articles of association for the new company. The DIFC has standard form articles that must be adopted. If the standard form articles are to be modified, the applicant must also submit to the DIFC ROC a written legal opinion from the applicant's external qualified legal adviser stating that the articles proposed to be adopted comply with requirements of the DIFC Companies Law;

(c) a copy of the incorporators' certificate of incorporation orregistration;

(d) a resolution of the Board of directors of the incorporator approving, inter alia, the incorporation of the subsidiary;

(e) various DIFC ROC forms/agreements relating to various matters including personnel sponsorship, data protection and foreign investment and beneficial ownership; and

(f) a copy of the lease for premises in the DIFC.

For a branch office, similar documents are required by the DIFC ROC, although a different online form, to register the branch or "Foreign Recognised Company" must be used.

Following submission of the application, the DIFC ROC will incorporate the company, or register the branch, and will issue a Certificate of Incorporation/ Registration, together with a DIFC Commercial Licence for the new entity.

13.8 Stage 4: Full Authorisation by the DFSA

Once the new DIFC entity is incorporated and registered and has received its Commercial Licence from the DIFC ROC, the applicant can then provide the DFSA with the information requested in the "In Principle" letter to proceed to full authorisation. This will include providing the DFSA with:

(a) confirmation of the applicant's address at premises within the DIFC;

(b) confirmation of incorporation of a subsidiary company or registration of a branch office with the DIFC ROC; and

(c) confirmation that the DFSA's capital requirements have been met (where applicable).

When the DFSA has this information, they will, if satisfied, issue a full Licence to the applicant company, which is thereby authorised to begin its insurance activities. The firm's authorisation to conduct Financial Services will be limited to the specific Financial Services set out in its Licence.

If the applicant has its application refused, or conditions are imposed upon it to which the applicant objects, it may appeal the DFSA's decision within 30 days to the Regulatory Appeals Committee.

13.9 Application Fees

At the time of print, the application fees in relation to the application process are as follows:

Application Fees In Relation To The Application Process

DFSA Item	Amount (USD)
Application fee for a licence for Effecting Contracts of Insurance and/or Carrying Out Contracts of Insurance (except as a Captive Insurer or as a Protected Cell Company)	40,000
Application fee for a licence for Effecting Contracts of Insurance or Carrying Out Contracts of Insurance as a Captive Insurer or as a Protected Cell Company	5,500
Effecting Contracts of Insurance or Carrying Out Contracts of Insurance as a PCC: (a) for the core; and (b) for each cell	 8,000 1,000
Application fee for a licence for Insurance Intermediation and/or Insurance Management	15,000
Application fee for a licence for Operating a Representative Office	2,000
Annual Charges for following Designated Non-Financial Business or Profession (DNFBPs): a) A Law Firm, notary Firm, or other independent legal business b) An accounting Firm, audit Firm or insolvency Firm; and c) A company service provider	4 ,000
DIFC ROC	
Application fee for reservation of company name (optional)	800
Incorporation/registration fee	8,000
Commercial Licence fee on incorporation/registration	12,000
Filing fee for Notification of Personal Data Operations Form	1,000

The DFSA and the DIFC ROC may change their application fees from time to time and applicants should check the applicable fees when submitting their applications.

A DIFC entity's authorisation and registration with the DFSA and the DIFC ROC must be renewed each year. Licence and registration fees are payable to both the DFSA and the DIFC ROC on each annual renewal. Please refer to the DFSA and DIFC websites for details of renewal fees.

13.10 Tips for Applicants

The DFSA has provided the following tips for prospective applicants for authorisation on its website (www.dfsa.ae):

(1) Spend time preparing your application and read the GEN module of the DFSA Rulebook, the Regulatory Policy and Process Sourcebook,as well as the guidance notes to the application forms before you start your application.

(2) Carefully identity which of your proposed business activities fall within the definition of Financial Services. Check whether there are any exceptions or prohibitions which may impact your application.

(3) If you are a start-up firm, review the DFSA's policy statement on start-ups. This can be found in the Regulatory Policy and Process Sourcebook. The DFSA does not accept applications for start-up banks.

(4) Check you are submitting the most up-to-date version of the DFSA application form(s) and that you have used the right forms for the business activities you are proposing. Ensure your application specifies clearly the Financial Services you intend to carry out.

(5) Be as comprehensive as possible in providing the information required. Make sure your forms are signed and that you have included the required attachments.

(6) Review your application before submission, particularly when using consultants or legal advisers. You are the one who knows your business best and you are responsible for all information contained in the application.

(7) Provide one hard copy and one soft copy of your application. The soft copy should be stored on a CD or memory stick. Please do not send e-mail copies.

(8) Ensure you have paid the correct application fee. Details of the fee schedule are set out in the Fees module of the DFSA Rulebook. The DFSA will only commence work on your application when payment and the original application form(s) have been received.

(9) Nominate a contact person within your firm to be responsible for managing the application process and to assist the DFSA with any enquiries.

(10) Initiate the process with the DIFC ROC at the same time as lodging your application with the DFSA. This will save you time at the end of the process.

CHAPTER 14

FACTORS THE DFSA WILL TAKE INTO ACCOUNT

The DFSA is a risk-based regulator which has a stated aim of identifying, assessing and mitigating risks to the DIFC. This approach is reflected in the manner in which the DFSA approaches the authorisation process. The DFSA will pay particular attention to any group structure that the entity is part of and, in particular, the level of regulation the group is subject to by its home state regulatory authority and whether that regulator shares the similarly high standards demanded by the DFSA.

The DFSA has agreed Memoranda of Understanding (listed in Appendix A) with regulators around the world, which enables it to share information and work closely with those regulators. In an authorisation context, and particularly if an Insurer is establishing a branch office, this can lead to expedited processes and reliance on the home-state regulator to avoid unnecessary duplication of the regulatory burden on the applicant.

This chapter sets out the criteria which the DFSA will consider in assessing an application for a Licence and/ or Authorised Individual status. It should be read in conjunction with Chapter 13 which explains the process for authorisation of insurance business by the DFSA.

14.1 Authorised Firms - Criteria the DFSA will Take into Account

When the DFSA is considering an application for a Licence, the applicant must demonstrate to the DFSA's satisfaction that it is "fit and proper". The DFSA will consider any matter which may harm or may have harmed the integrity or the reputation of the DFSA or the DIFC. An applicant must be able to demonstrate that it has adequate compliance arrangements in place, including processes and procedures that will enable it to comply with all applicable DFSA rules.

For Authorised Persons; the DFSA will have regard to the following criteria when considering an application for authorisation:

A) Background and History

• any matter affecting the propriety and conduct of the Authorised Firm and any Authorised Individual nominated by the Authorised Firm (each an Authorised Person), whether or not such conduct may have resulted in the commission of a criminal offence or the contravention of the law or the institution of legal or disciplinary proceedings of whatever nature;

• whether an Authorised Person has ever been the subject of disciplinary procedures by a government body or agency or any self-regulating organisation or other professional body;

• a contravention of any provision of Financial Services legislation or of rules, regulations, statements of principle or codes of practice made under it or made by a recognised self-regulatory organisation, Financial Services Regulator, Authorised Market Institution or regulated exchange or clearing house;

• whether an Authorised Person has been refused, or had a restriction placed on, the right to carry on a trade, business or profession requiring a licence, registration or other permission;

• an adverse finding or an agreed settlement in a civil action by any court or tribunal of competent jurisdiction resulting in an award against or payment by an Authorised Person in excess of $10,000 or awards that total more than $10,000;

• whether an Authorised Person has been censured, disciplined, publicly criticised or the subject of a court order at the instigation of any regulatory authority, or any officially appointed inquiry, or any other Financial Services Regulator; and

• whether an Authorised Person has been open and truthful in all its dealings with the DFSA.

B) Ownership, Group and Controllers

• the Authorised Person's position within its group, including any other relationships that may exist between the Authorised Person's affiliates, controllers, associates or other close links;

• any information provided by other regulators in relation to the Authorised Person or any entity within its group;

• the background, history and principal activities of the Authorised Person's controllers, including that of the controller's Directors, Partners or other officers associated with the group and the degree of influence that they are, or may be, able to exert over the Authorised Person and/or its activities; and

• whether the Authorised Person or its Group is subject to any adverse effect or considerations arising from a country or countries of incorporation, establishment and operations of any member of its Group. In considering such matters, the DFSA may also have regard to the type and level of regulatory oversight in the relevant country or countries of the Group members, the regulatory infrastructure and adherence to internationally held conventions and standards that the DFSA may have adopted in its Rules.

C) Resources

The DFSA will have regard to whether the Authorised Firm has sufficient resources of all types, including:

• the Authorised Firm's financial resources and whether it complies, or will comply, with any applicable financial Rules and whether the Authorised Person appears in a position to be able to continue to comply with such Rules;

• the extent to which the Authorised Person is or may be able to secure additional capital in a form acceptable to the DFSA where this appears likely to be necessary at any stage in the future;

• the availability of sufficient competent human resources to conduct and manage the Authorised Person's affairs, in addition to the availability of sufficient Authorised Individuals or Key Individuals, as applicable, to conduct and manage the Authorised Person's Financial Services;

• whether the Authorised Person has sufficient and appropriate systems and procedures in order to support, monitor and manage its affairs, resources and regulatory obligations in a sound and prudent manner;

• whether the Authorised Person has appropriate anti-money laundering procedures and systems designed to ensure full compliance with applicable money laundering and counter terrorism legislation, and relevant UN Security Council sanctions and resolutions, including arrangements to ensure that all relevant staff are aware of their obligations;

• the impact of other members of the Authorised Person's Group on the adequacy of the Authorised Person's resources and in particular, though not exclusively, the extent to which the Authorised Person is or may be subject to consolidated prudential supervision by the DFSA or another Financial Services Regulator; and

• whether the Authorised Person is able to provide sufficient evidence about the source of funds available to it, to the satisfaction of the DFSA. This is particularly relevant in the case of a start-up entity.

D) Collective Suitability of Individuals or Other Persons Connected to the Authorised Firm

Notwithstanding that individuals performing Licensed Functions are required to be Authorised Individuals and that an Authorised Firm is required to appoint certain Authorised Individuals to certain functions, the DFSA will also consider:

• the collective suitability of all of the Authorised Firm's staff taken together, and whether there is a sufficient range of individuals with appropriate knowledge, skills and experience to understand, operate and manage the Authorised Firm's affairs in a sound and prudent manner;

• the composition of the Governing Body of the Authorised Firm, The factors that would be taken into account by the DFSA in this context include, depending on the nature, scale and complexity of the firm's business and its organisational structure, whether:

(i) the Governing Body has a sufficient number of members with relevant knowledge, skills and expertise among them to provide effective leadership, direction and oversight of the Authorised Firm's business. For this purpose, the members of the Governing Body should be able to demonstrate that they have, and would continue to maintain, including through training, necessary skills, knowledge and understanding of the firm's business to be able to fulfil their roles;

(ii) the individual members of the Governing Body have the commitment necessary to fulfil their roles, demonstrated, for example, by a sufficient allocation of time to the affairs of the firm and reasonable limits on the number of memberships held by them in other Boards of Directors or similar positions. In particular, the DFSA will consider whether the membership in other Boards of Directors or similar positions held by individual members of the Governing Body has the potential to conflict with the interests of the Authorised Firm and its customers and stakeholders; and

(iii) there is a sufficient number of independent members on the Governing Body. The DFSA will consider a member of the Governing Body to be "Independent" if he is found, on reasonable grounds by the Governing Body, to be independent in character and judgement and able to make decisions in a manner that is consistent with the best interests of the Authorised Firm;

• the individual or collective suitability of any Person or Persons connected with the Authorised Firm;

• the extent to which the Authorised Firm has robust human resources policies designed to ensure high standards of conduct and integrity in the conduct of its activities; and

• whether the Authorised Firm has appointed auditors, actuaries and advisers with sufficient experience and understanding in relation to the nature of the Authorised Firm's activities.

14.2 Authorised Individual - Criteria the DFSA will take into account

Applicants will only be authorised if the DFSA is satisfied that they are "fit and proper" to carry out that role and that the functions of their role will be conducted and managed in a sound and prudent manner. The following is a summary of the criteria the DFSA will take into account when considering an application for each Authorised Individual:

A) Integrity

In determining whether an individual has satisfied the DFSA as to his integrity, the DFSA may have regard to matters including, but not limited to, the following:

• the propriety of the individual's conduct, whether or not such conduct may have resulted in the commission of a criminal offence, the contravention of a law or the institution of legal or disciplinary proceedings of whatever nature;

• a conviction or finding of guilt in respect of any offence, other than a minor road traffic offence, by any court of competent jurisdiction;

• whether the individual has ever been the subject of disciplinary proceedings by a government body or agency or any recognised self-regulatory organisation or other professional body;

• a contravention of any provision of financial services legislation or of rules, regulations, statements of principle or codes of practice made under or by a recognised self-regulatory organisation, Authorised Market Institution, regulated exchange or regulated clearing house or Financial Services Regulator;

• a refusal or restriction of the right to carry on a trade, business or profession requiring a licence, registration or other authority;

• a dismissal or a request to resign from any office or employment;

• whether an individual has been or is currently the subject of or has been concerned with the management of a body corporate which has been or is currently the subject of an investigation into an allegation of misconduct or malpractice;

• an adverse finding in a civil action by any court of competent jurisdiction of fraud, misfeasance or other misconduct, whether in connection with the formation or management of a corporation or otherwise;

• an adverse finding or an agreed settlement in a civil action by any court or tribunal of competent jurisdiction resulting in an award against the individual in excess of $10,000 or awards that total more than $10,000;

• an order of disqualification as a director or to act in the management or conduct of the affairs of a corporation by a court of competent jurisdiction or regulator;

• whether the individual has been a director, or concerned in the management of, a body corporate which has gone into liquidation or administration whilst that person was connected with that body corporate or within one year of such a connection;

• whether the individual has been a partner or concerned in the management of a partnership where one or more partners have been made bankrupt whilst that person was connected with that partnership or within a year of such a connection;

• whether the individual has been the subject of a complaint in connection with a financial service, which relates to his integrity, competence or financial soundness;

• whether the individual has been censured, disciplined, publicly criticised by or the subject of a court order at the instigation of any DFSA, or any officially appointed inquiry, or Financial Services Regulator; or

• whether the individual has been candid and truthful in all his dealings with the DFSA.

B) Competence and Capability

In determining the competence and capability of an individual to perform the role of an Authorised Individual, the DFSA may have regard to any factors, whether in the UAE or elsewhere including:

• whether an individual is capable of performing functions which he has to perform within the Authorised Firm which employs or intends to employ him; and

• evidence of appropriate qualifications, including for example, the bespoke examination offered by the Chartered Institute for Securities and Investment in respect of DIFC Laws and Rules.

C) Financial Soundness

In determining the financial soundness of an individual, the DFSA may have regard to any factors including, but not limited to, the following:

- *whether an individual is able to meet his debts as they fall due; and*
- *whether an individual has been adjudged bankrupt, had a receiver or an administrator appointed, had a bankruptcy petition served on him, had his estate sequestrated, entered into a deed of arrangement (or any contract in relation to a failure to pay due debts) in favour of his creditors or, within the last 10 years, has failed to satisfy a judgement debt under a court order, whether in the UAE or elsewhere.*

CHAPTER 15

SUPERVISION, ONGOING COMPLIANCE REQUIREMENTS & ENFORCEMENT

Once a firm is authorised, it will be subject to ongoing supervision by the DFSA. The DFSA's Regulatory Policy and Process Sourcebook ("RPP Sourcebook") highlights the primary focus of the supervisory approach of the DFSA and the ongoing relationship between an Authorised Firm and the DFSA.

In order to meet its objectives, the DFSA encourages an open, transparent and co-operative relationship between itself and the Authorised Firm. The DFSA seeks to maintain an up-to-date knowledge of an Authorised Firm's business. However, an Authorised Firm is also required to keep the DFSA informed of significant events, or anything related to the firm of which the DFSA would reasonably expect to be notified. The nature and intensity of the DFSA's relationship with an Authorised Firm will depend on a number of factors. The DFSA's level of supervision will be proportionate to the risks which the Authorised Firm poses to the DFSA's objectives and will emphasise the responsibilities of the Authorised Firm's senior management in identifying, assessing, mitigating and controlling its risks. The greater the impact and probability of the Authorised Firm's perceived risks, the more intensive the supervisory relationship will be.

As members of Authorised Firms, Authorised Individuals are assessed for their fitness and propriety. However, it is essential that an Authorised Individual remains fit and proper throughout their tenure. Responsibility for ensuring that individuals remain fit and proper rests with the Authorised Firm.

15.1 Rulebooks that Apply to Insurance Entities

There are a number of DFSA Rulebook modules which have specific relevance to insurance businesses, which the DFSA will monitor in order to ensure ongoing compliance. These can be summarised, as follows:

A) Prudential – Insurance Business Module

The PIN module provides detailed guidance to Insurers (whether Insurers, (re)Insurers or Captive Insurers) on the following core areas:

- management and control of risk;
- capital adequacy requirements;
- measurement of Insurer's assets and liabilities;
- financial reporting by Insurers;
- the role of actuaries;
- supervision of group transactions;
- run-off insurance provisions; and
- insurance special purpose vehicles.

B) Prudential – Investment, Insurance Intermediation and Banking Module

For Insurance Intermediaries and Insurance Managers, the PIB module sets out their detailed obligations, covering the following core areas:

- Categories of Authorised Firms (Category 4 for Insurance Intermediation or Insurance Management);
- Finance reporting and submission of returns;
- Reporting to the DFSA;
- Basic capital requirements;
- Initial and ongoing capital requirements;
- Expenditure based capital minimum; and
- Calculation and component of capital.

D) Anti-Money Laundering

The Anti-Money Laundering, Counter-Terrorist Financing and Sanctions (AML) module of the DFSA Rulebook applies to all persons who fall within the DFSA's regulatory regime, referred to as "Relevant Persons", which are:

(a) Authorised Firms (including Insurers, Insurance Intermediaries and Insurance Managers.);

(b) Authorised Market Institutions;

(c) DNFBPs; and

(d) Registered Auditors.

The application of each of the 16 chapters of the AML module varies depending upon the Relevant Person's business type and AML risk profile – a table in chapter 1 of the AML module summarises the application of the rules according to the type of Relevant Person.

The AML module requires a Relevant Person to adopt a risk-based approach in relation to anti-money laundering ("AML"), counter-terrorist financing ("CTF") and sanctions compliance. The intention is that by adopting a risk-based approach, each Authorised Firm will design and implement its own policies, procedures, systems and controls which are suitable to that firm's business and customers, provided that such policies, procedures, systems and controls are reasonable and proportionate in light of the AML and CTF risks.

A Relevant Person must undertake a risk assessment of its business and its customers, and must take into account factors including but not limited to:

(a) the type of customers and their activities;

(b) the countries or geographic areas in which it does business;

(c) its products, services and activity profiles;

(d) its distribution channels and business partners;

(e) the complexity and volume of its transactions;

(f) the nature of the customer, its ownership and control structure, and its beneficial ownership (if any);

(g) the nature of the customer business relationship with the Relevant Person;

(h) the customer's country of origin, residence, nationality, place of incorporation or place of business; and

(i) the relevant product, service or transaction.

The customer risk assessment informs the breadth and depth of the customer due diligence ("CDD") that is required to be undertaken for a particular customer. Essentially, a Relevant Person is required to conduct:

(a) standard CDD (described in Rule 7.3.1 of the AML module) for every customer;

(b) enhanced CDD (described in Rule 7.4.1 of the AML module) over and above the standard CDD where the customer is higher risk; or

(c) simplified CDD (described in Rule 7.5.1 of the AML module) for low risk customers.

Importantly, for life insurance and other similar policies, the AML module provides that under the standard CDD process, a Relevant Person must:

(a) verify the identity of any named beneficiaries of the insurance policy; and

(b) verify the identity of the persons in any class of beneficiary, or where these are not identifiable, ensure that it obtains sufficient information to be able to verify the identity of such persons at the time of payout of the insurance policy.

A Relevant Person can rely on specified third parties (e.g. another Authorised Person, a Financial Institution or member of the Relevant Person's Group) to conduct any of its CDD obligations, or rely on CDD previously undertaken by such a third party, provided that the precautions in Rule 8.1.1 of the AML module are complied with. These precautions include:

(a) immediately obtaining the necessary CDD information from the third party;

(e) taking adequate steps to satisfy itself that certified copies of the documents used to undertake the relevant elements of CDD will be available from the third party on request without delay; and

(f) ensuring that the relevant third party is subject to regulation, including AML, by a Financial Services Regulator or other competent authority in a country with AML regulations which are equivalent to the standards set out in the FATF Recommendations and it is supervised for compliance with such regulations.

Firms must appoint a Money Laundering Officer ("MLRO"), who must be resident in the UAE, and a deputy MLRO. The MLRO is responsible for the implementation and oversight of the firm's compliance with the AML module. However, it is important to note that under Rule 1.2.1 of the AML module, ultimate responsibility for a Relevant Person's compliance with theAML module lies with every member of its senior management (i.e. executive management, including the board of directors, partners, committee of management or other governing body).

As discussed in Chapter 2, the DIFC is only exempt from UAE civil and commercial laws, not criminal laws. Therefore, Authorised Firms will also be subject to UAE criminal laws relating to money laundering including Federal Law No.4 of 2002 – Criminalisation on Money Laundering of the UAE, Federal Law No.1 of 2004 regarding Anti-Terrorism, the UAE Federal Code and other relevant UAE laws relating to money laundering, counter-terrorist financing and sanctions.

C) Conduct of Business Rules

The compliance function of the Authorised Firm is regarded as a crucial element of the business and will play a key role in ensuring that the DFSA's laws, rules and regulations are met. Of particular importance is ensuring compliance with the Conduct of Business ("COB") module of the DFSA's Rulebook. The requirements of the COB vary for different types of business and are stricter when dealing with Retail Clients, rather than Professional Clients. The COB requirements will be easily recognised by those familiar with international regulatory regimes, with a focus on themes such as:

• client classification;

• commission and fee disclosure;

• ensuring that communications to clients are "clear, fair and not misleading";

• duties of disclosure on firms and clients;

• identifying an individual client's circumstances and objectives;

• ensuring the suitability of the recommendations for the customer's demands and needs;

• managing conflicts of interest;

• providing information in relation to key features of insurance products; and

• restrictions on Insurance Business and Insurance Intermediation from or within the DIFC (discussed in Chapter 6 above).

D) General Module (GEN)

The core sections of the General module ("GEN") are as follows:

• definition and scope of Financial Services;

• core principles for Authorised Firms (discussed below);

• management, systems and controls;

• general provisions;

• authorisation requirements;

• accounting and auditing;

• complaints handling and dispute resolution; and

• Appendix 4 – definitions of Contracts of Insurance.

E) Islamic Financial Business Module

The Islamic Finance Rules module of the DFSA Rulebook sets out the provisions that apply for Islamic insurance business and operations that wish to conduct (re)Takaful business, including:

• disclosure requirements;

• constitutional documents;

• systems and controls; and

• the appointment of, and reviews by, a Shari'a Supervisory Board.

15.2 Core Principles for Authorised Firms

Chapter 4 of GEN sets out the following twelve core principles, which all Authorised Firms (other than Representative Offices) are required to comply with:

Principle 1 – Integrity: An Authorised Firm must observe high standards of integrity and fair dealing.

Principle 2 - Due skill, care and diligence: In conducting its business activities an Authorised Firm must act with due skill, care and diligence.

Principle 3 - Management, systems and controls: An Authorised Firm must ensure that its affairs are managed effectively and responsibly by its senior management. An Authorised Firm must have adequate systems and controls to ensure, as far as is reasonably practical, that it complies with legislation applicable in the DIFC.

Principle 4 – Resources: An Authorised Firm must maintain and be able to demonstrate the existence of adequate resources to conduct and manage its affairs. These include adequate financial and system resources as well as adequate and competent human resources.

Principle 5 - Market conduct: An Authorised Firm must observe proper standards of conduct in financial markets.

Principle 6 - Information and interests: An Authorised Firm must pay due regard to the interests of its customers and communicate information to them in a way which is clear, fair and not misleading.

Principle 7 - Conflicts of interest: An Authorised Firm must take all reasonable steps to ensure that conflicts of interest between itself and its customers, between its Employees and customers and between one customer and another are identified and then prevented or managed, or disclosed, in such a way that the interests of a customer are not adversely affected.

Principle 8 – Suitability: An Authorised Firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for customers who are entitled to rely upon its judgement.

Principle 9 - Customer assets and money: Where an Authorised Firm has control of or is otherwise responsible for assets or money belonging to a customer which it is required to safeguard, it must arrange proper protection for them in accordance with the responsibility it has accepted.

Principle 10 - Relations with regulators: An Authorised Firm must deal with Regulators in an open and co-operative manner and keep the DFSA promptly informed of significant events or anything else relating to the Authorised Firm of which the DFSA would reasonably expect to be notified.

Principle 11 - Compliance with high standards of corporate governance: An Authorised Firm must have a corporate governance framework as appropriate to the nature, scale and complexity of its business and structure, which is adequate to promote the sound and prudent management and oversight of the Authorised Firm's business and to protect the interests of its customers and stakeholders.

Principle 12 – Remuneration practices: An Authorised Firm must have a remuneration structure and strategies which are well aligned with the long term interests of the firm, and are appropriate to the nature, scale and complexity of its business.

For Representative Offices, Chapter 3 of REP sets out four core principles which all Representative Offices must comply with:

Principle 1 – Integrity: A Representative Office must observe high standards of integrity and fair dealing.

Principle 2 – Due skill, care and diligence: In conducting its business activities a Representative Office must act with due skill, care and diligence.

Principle 3 – Resources: A Representative Office must maintain and be able to demonstrate the existence of adequate resources to conduct and manage its affairs.

Principle 4 - Relations with regulators: A Representative Office must deal with Regulators in an open and cooperative manner and keep the DFSA promptly informed of significant events or anything else relating to the Representative Office of which the DFSA would reasonably expect to be notified.

The above core principles have the status of Rules and are a general statement of fundamental regulatory requirements which apply to Authorised Firms alongside the other Rules and also in new or unforeseen situations which may not be covered elsewhere by a specific Rule. Rules in other areas of the DFSA Rulebook build upon the core principles.

Breaching a core principle makes an Authorised Firm liable to disciplinary action, and may indicate that it is no longer fit and proper to carry on a Financial Service or to hold a Licence and the DFSA may consider withdrawing authorisation or the Authorised Firm's Licence on that basis.

15.3 DFSA Supervision, Investigations and Enforcement

The DFSA has adopted a risk-based approach to the regulation and supervision of a firm in order to concentrate its resources on the mitigation of risks to its objectives. The DFSA will work with an entity to identify, assess, mitigate and control these risks where appropriate. The DFSA's supervisory approach is based upon:

(a) developing a strong relationship with a firm and its senior management;

(b) where applicable, considering any lead or consolidated supervision which a firm or its Group may be subject to in other jurisdictions, taking into account the DFSA's relationship with other regulators;

(c) utilising its risk-based approach to supervision, including the risk assessment and classification of a firm, as part of the DFSA's continuous risk management cycle; and

(d) using appropriate supervisory and enforcement powers.

The DFSA may undertake desk based reviews in order to review compliance with legislation applicable in the DIFC. The DFSA may also conduct on-site visits, either periodically or on an ad hoc basis.

The supervisory, investigation and enforcement powers granted to the DFSA under the Regulatory Law are expanded upon in detail in chapters 4 and 5 of the RPP Sourcebook and include the power to:

(a) request information and documents and access premises;

(e) require an Authorised Peron to provide a report from an independent expert;

(f) impose restrictions on an Authorised Person's business or dealings with relevant property;

(g) impose conditions and restrictions on an Authorised Person's Licence;

(h) impose conditions and restrictions on an Authorised Individual's status;

(i) restrict, suspend and withdraw the status of an Authorised Individual;

(j) withdraw an authorisation or Licence of an Authorised Person;

(k) restrict a person from performing any functions in connection with provision of Financial Services, or restrict, suspend or withdraw an Authorised Individual's status; and

(l) impose fines upon a Person whom it considers has contravened a provision of the Regulatory Law or the Rulebook.

When the DFSA exercises its powers, it will generally follow the decision making procedures set out in chapter 6 of the RPP Sourcebook. Typically, a Person will:

(a) receive prior written notice and have a suitable opportunity to make representations prior to the DFSA's exercising a power;

(m) receive reasons of any decision to exercise such power; and

(n) have a right of appeal to the Regulatory Appeals Committee.

CHAPTER 16

DISPUTE RESOLUTION WITHIN THE DIFC

16.1 Complaints handling procedures

The DFSA's rules require Authorised Firms that deal with Retail (i.e. non-Professional) Clients to have adequate policies and procedures in place for investigation and resolution of complaints made by Retail Clients and the manner of redress, including compensation for the acts or omissions of the Authorised Firms.

There must be a written complaints handling policy with procedures to ensure that complaints are handled fairly, consistently and promptly. A copy of the complaints handling policy must be available on request. Complaints must be acknowledged within seven days. The employee investigating the complaint should, where possible, not have been in involved in the matter complained about and should have sufficient authority to resolve the complaint. An update should be provided to the complainant on the progress of the investigation after 30 days and the DFSA expects most complaints to be resolved within 60 days.

On conclusion of the investigation, the Authorised Firm must promptly advise the complainant of the outcome and offer redress, if appropriate. If the complainant is not satisfied with the outcome or terms of redress offered, the Authorised Firm must inform the complainant of other avenues that may exist to resolve the complaint and provide contact details. This may include:

• an external dispute resolution mechanism;

• arbitration; or

• the DIFC Courts.

Authorised Firms may bring other Authorised Firms into the process by making a complaint against them if that firm believes the other Authorised Firm is entirely or partly responsible. Authorised Firms are required to maintain records of complaints handling for at least six years. Authorised Firms may outsource the administration of their complaints handling functions to other parties.

Although the extent to which insurance businesses in the DIFC presently engage in direct business with Retail Clients may be minimal, Insurers may decide to adopt the complaints-handling procedures as a matter of good practice in any event.

Depending on the nature, scale and complexity of its business, it is prudent for an Authorised Firm to have in place a suitable complaints handling procedure for Professional Clients in order to ensure that such complaints are properly handled and remedial action is taken promptly. Such complaints handling procedures would be expected to include provisions about the independence of staff investigating the complaint and bringing the matter to the attention of senior management.

16.2 DIFC arbitration

The DIFC has set out to become a regional hub for international arbitration. In February 2008, the DIFC established a joint venture with the London Court of International Arbitration ("LCIA") to establish the DIFC Arbitration Centre. Until the passing of a new Arbitration Law (No.1 of 2008), arbitration within the DIFC had been limited to resolving disputes where one of the parties to the dispute was entitled to bring an action before the DIFC Courts. That has now changed and the DIFC is used as an arbitration centre even by contracting parties with no connection to the DIFC, to settle commercial disputes.

Therefore, parties from anywhere in the world are able to select the DIFC as their chosen forum to resolve disputes.

DIFC/LCIA arbitration awards can be enforced in the DIFC or UAE courts. Since the UAE is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 and certain regional reciprocal enforcement conventions, DIFC/LCIA awards will also be capable of being enforced in the region and internationally in convention countries.

16.3 DIFC Courts

Dubai Law No.12 of 2004 established the DIFC Judicial Authority, which operates independently of federal, civil and commercial laws that apply elsewhere in the UAE. There are two levels of courts: the Court of First Instance and a Court of Appeal.

The Court of First Instance ("CFI") has jurisdiction to hear civil and commercial cases arising in respect of business entities or authorities based within the DIFC, or where contracts have been concluded or executed, wholly or in part, within the DIFC. DIFC entities may, however, elect to submit to an alternative jurisdiction. The CFI also has jurisdiction for judicial review on a point of law from the Financial Markets Tribunal.

The Court of Appeal has jurisdiction to hear appeals from the CFI. There is no further appeal possible from the Court of Appeal, the decision of which is final.

The language of the DIFC Courts is English. Hearings can take place in the DIFC district or elsewhere in Dubai. The DIFC Court rules are based largely on the English Commercial Court, which will be familiar to those with experience of common law legal systems. This is also helpful for insurance interests for whom English law and jurisdiction is frequently preferred for dispute resolution.

DIFC entities are free to choose non-DIFC governing law in respect of their liabilities and obligations.

The DIFC Courts are presently headed by Chief Justice Michael Hwang SC, an internationally renowned arbitrator from Singapore. His deputy is Justice Sir John Chadwick, a former Judge of the Court of Appeal of England and Wales.

The DIFC Courts can make a wide range of orders including: injunctive relief; interlocutory orders; ex parte orders; disclosure of documents; costs awards; and security for costs. Judgments and awards of the DIFC Courts which require execution outside the DIFC will be enforced by the local Dubai Courts. Importantly, parties outside the DIFC can agree expressly in writing to have their dispute determined by the DIFC Court (so long as no final judgment has been issued by another Court).

CHAPTER 17

OTHER IMPORTANT ISSUES FOR INSURANCE BUSINESSES SETTING UP IN THE DIFC

17.1 Premises

All entities registering in the DIFC are required to lease office space within the designated DIFC area. Applicants looking to establish in the DIFC should commence discussions with the DIFC Authority's Leasing Department as early as possible during the application process. Generally speaking, the DIFC Authority will require entities to lease at least 80 sq ft of office space per employee.

17.2 Exchange Controls

There are no exchange-control restrictions in the UAE or in DIFC. Businesses operating from within the DIFC are therefore free to repatriate capital, profits, and fees without any restrictions.

17.3 Taxation

Taxation in the United Arab Emirates

Whilst the UAE Constitution provides that the UAE government has exclusive jurisdiction to legislate in relation to UAE taxes, no federal tax laws have been created to date. Instead, most Emirates constituting the UAE developed their own general income tax decrees in the late 1960s. These decrees continue to apply and potentially levy income tax on all companies (including branches of foreign companies) operating in the respective Emirates at rates of up to 55 percent. The exceptions to this general rule are companies operating in the upstream oil and gas industry and the banking sectors, which are required to pay taxes under separate industry-specific tax regulations enacted by the various Emirates. In the banking sector, only branches of foreign banks are subject to tax on their accounting profits at a rate of 20 percent.

There are currently no personal income taxes, withholding taxes, capital or payroll (with the exception of pension contribution obligations in respect of employed UAE/GCC nationals) taxes levied in the UAE.

In order to encourage foreign direct investment into the UAE, individual Emirates have set up (their own) free trade zones. Each free zone is established with its own set of laws and administrative regulations. These rules generally include guaranteed tax holidays ranging from 15 to 50 years (renewable) for businesses and their employees. The laws granting these "tax holidays" are not consistent amongst the various free zones, and each free zone should, therefore, be considered separately.

Taxation within the DIFC

The tax environment within the DIFC is governed by Article 14 of Dubai Law No. 9 of 2004. Firms are currently given a tax holiday which provides for a 50 year zero percent tax rate. The Article is reproduced below:

"The Centre's Bodies and Centre Establishments and their employees shall be subject to a zero rate of tax for 50 (fifty) years from the date of enactment of this Law, including the income tax relating to their operations inside the Centre. The zero rate of tax will also extend to transfers of assets or profits or salaries in any kind of currency to any party outside the Centre for 50 (fifty) years from the date of enactment of this Law. It is permitted to renew this period for a similar period upon issuance of a resolution by the Ruler."

Given the unique juridical status of the DIFC, this Article is intended to provide certainty on income and withholding tax for a defined period of time to businesses established and operating from the DIFC.

UAE International Double Tax Treaty Network and the DIFC

The UAE benefits from an extensive tax treaty network and has signed tax treaties with more than forty-six countries as of January 2008, including Canada, France, Germany, Italy, Luxembourg, Netherlands, Spain, India, Pakistan, Indonesia, and Malaysia. The UAE's tax treaties generally follow the OECD model with some exceptions. Naturally, one must also meet the definition of a treaty resident to qualify for treaty benefits and must also consider the form of business registration at the DIFC. Most notably, the tax treaties with Germany and Korea include a limitation of benefits article. Each treaty must be considered individually.

To date there are no protocols to the UAE's tax treaties which refer to free zones, or companies registered in free zones, in order to limit tax treaty access, i.e. to generally exclude a free zone's access to tax treaty benefits.

Access to the UAE's double tax treaty network may result in reduced rates of withholding taxes levied by tax authorities in foreign jurisdictions on payments of dividends, interest and royalties to a DIFC registered parent company. Other benefits may also be available on a case by case basis.

17.4 Employment Matters

Availability of Labour

Dubai has a developed and highly-skilled professional labour force, comprised for the most part of expatriates from around the world. Authorised Firms must establish a presence in the DIFC and their employees will be subject to DIFC Employment Law No 4 of 2005 as amended by DIFC Law No. 3 of 2012 ("the Employment Law").

The DIFC Authority will require the applicant to enter into a personnel sponsorship agreement with it. This is to enable the entity's employees to be able to obtain UAE residency visas to live and work in the UAE. In a method which mirrors UAE labour law, where a sponsor is required in order for an individual to obtain a UAE residency visa, this entails the DIFC Authority agreeing to sponsor the new entity that will, in turn, sponsor its employees. The personnel sponsorship agreement sets out the terms on which the DIFC Authority will agree to undertake this task.

Emiratisation requirements (i.e. the obligation on employers in certain industries, such as insurance, to employ UAE nationals in the business to meet Government guidelines) do not apply, at present, to entities doing business within the DIFC.

Conditions of Employment

Labour affairs in the DIFC are governed by the Employment Law together with any supporting regulations. The Employment Law regulates contracts and wages, working hours, leave and the termination of employment, terminal gratuity, and other issues relating to conditions of employment.

The stated objectives of the Employment Law are to:

(a) Ensure that employees in the DIFC receive the benefits of minimum international standards and conditions of employment;

(b) Promote the fair treatment of employees and employers;

(c) Provide fair and efficient procedures for resolving disputes arising from the application and interpretation of the Employment Law; and

(d) Foster employment practices that will contribute to the prosperity of the DIFC. The Employment Law applies to all employees based within, or ordinarily working within, or from the DIFC..

Trade Unions

The Employment Law does not recognise trade unions. In case of disputes, employees and employers are required to bring their claims to the DIFC Small Claims Tribunal or to the Court of First Instance (as appropriate). In the Small Claims Tribunal, the consent of both parties is not required for claims valued at less than AED 200,000. However, the consent of both parties is required for all other claims which exceed this value.

Employee Training Programs

The Employment Law does not prescribe training requirements for employees. The level of training offered therefore varies from company to company.

Incentives

The Employment Law does not contain any provisions regarding profit-sharing or minimum bonus payments to employees. However, it is not uncommon for employees to receive bonus payments, or to participate in profit sharing schemes.

Benefits

There are little, if any, provisions in the Employment Law regarding mandatory employee benefits which therefore, are likely to vary depending on company policy.

Benefits provided by companies to senior expatriate professionals normally include the following:

- *Car and/or travel allowances for the employee.*
- *Annual airfares to home countries for the employee and family members.*
- *Housing allowance, or furnished accommodation.*
- *Payment of private school fees for the employee's children.*
- *Private medical insurance for family members (the employee is entitled to health insurance under the Employment Law and under the Health Insurance Law for the Emirate of Dubai (No. 11 of 2013) which is being rolled out in phases between 2014 and 2016).*
- *Membership in social and sports clubs.*

Hours of Work

The Employment Law states that employees shall not work more than a forty-eight hour week (unless they opt out in writing). However, it also declares that during the holy month of Ramadan, employees who observe the fast shall not be required to work for more than six hours a day. In addition, the Employment Law requires that every employee be granted at least one full day of rest in each week and, where an employee is required to work more than six hours a day, he or she shall be entitled to a break of at least one hour.

In practice, commercial and professional firms in most countries in the region work forty to forty-five hours a week, and the weekend for office workers has traditionally been Thursday afternoon and Friday. However, with effect from 1 September 2006, the public sector in the UAE officially changed to a Friday, Saturday weekend and, correspondingly, the majority of organisations in the private sector have also changed over to a five-day week, with Friday and Saturday as the weekend.

Paid National Holidays and Vacations

In accordance with the Employment Law, employees in both the UAE's public and private sectors are entitled to the following paid national holidays:

Religious Holidays*
• Eid Al-Fitr: **2 days**
• Eid Al-Adha: **3 days**
• Lailat Al Mi'raj – The Ascension of the Prophet: **1 day**
• The Prophet's Birthday: **1 day**
• The Islamic New Year: **1 day**
Secular Holidays
• New Year's Day: January 1st
• National Day: December 2nd

*Note: The Islamic calendar is based on the lunar cycle and therefore, the dates of Islamic holidays and festivals may vary from year to year. Certain public holidays are announced by the authorities (at relatively short notice) based on the sighting of the new moon.

The Employment Law also states that, if an employee and employer mutually agree, the employee may forgo his or her entitlement to a national holiday by receiving a day or payment in lieu of the entitlement.

The Employment Law entitles each employee to a minimum annual vacation of 20 working days, which is to be accrued pro rata for employees who have been employed for at least 90 days. An employee is also entitled to carry forward up to 20 working days of his accrued but untaken vacation into the next calendar year for a maximum period of 12 months after which the unused leave will expire.

Although it is standard practice in the UAE (and in the region as a whole) for employers to provide expatriate employees in a senior role with leave airfare to their home countries, such entitlements are not mandatory under the Employment Law.

Muslim employees who have completed at least one year's continuous service are also entitled to take up to 30 calendar days unpaid leave to go on Hajj (pilgrimage) to Mecca. Such entitlement can be used once during their employment.

Sick Leave

Employees are entitled to up to 60 working days of continuous, or intermittent, sick leave in any one year, payable at the employee's daily rate. Subject to the provisions of the Employment Law, employers are entitled to dismiss employees, immediately with written notice, who take more than 60 days sick leave in any twelve month period.

Maternity Leave and Pay

A female employee is entitled to 65 working days' maternity leave, provided that she has been continuously employed for at least 12 months by the expected or actual week of childbirth and complies with certain notification obligations. Maternity pay is payable to female employees as follows:

• The employee's normal weekly rate for the first 33 days of maternity leave; and

• At 50 percent of the employee's normal weekly rate for the next 32 days of maternity leave – If an employee is dismissed because she is pregnant, or for any other reason connected with her pregnancy or childbirth, this is regarded as an unfair dismissal.

The same rights apply to a female employee who adopts a child of less than 3 months old.

Following maternity leave, there is a right to return to work to the same role or a suitable alternative on the same terms and conditions and with the same seniority rights as if the period of maternity leave had not been taken.

Equal Opportunities

The DIFC Employment Law makes it unlawful for an employer to refuse to employ or continue to employ or to discriminate regarding employment or any term or condition of employment on the grounds of sex; marital status; race; nationality, religion; and/or mental or physical disability.

The definition of "Discrimination" has been expanded under the most recent amendment and now covers:

(a) less favourable treatment of an employee when compared to others in the same circumstances because of one of the grounds above (direct discrimination);

(b) the application of a provision, criterion or practice that puts an employee at a disadvantage not faced by others who are not of the same sex, marital status, race, nationality, religion or suffering from a mental or physical impairment which the employer cannot show to be a proportionate means of achieving a legitimate aim (indirect discrimination); or

(c) the subjection of an employee to unwanted treatment or conduct which creates an intimidating, hostile, degrading, humiliating or offensive workplace (harassment).

Further, an employer may now apply a bona fide occupational requirement, which is a requirement reasonably necessary for the normal performance of a particular role or occupation, and both direct and indirect discrimination are defensible on the grounds of bona fide occupational requirements.

With regards to disability discrimination specifically, an employer also discriminates against an employee with a mental or physical disability if the employer fails to make reasonable adjustments to any physical feature of the workplace or applicable provision, criteria or practices that would, if made, enable the employee to otherwise meet the bona fide occupational requirement.

Employers can, however, positively discriminate in favour of disadvantaged groups, including (but not limited to) those that are disadvantaged because of mental or physical disability.

Health and Safety

The Employment Law prescribes the following:

• As far as is reasonably practicable, every employer has a duty to ensure the health, safety and welfare of all its employees in the workplace.

• Employers are under a general duty to ensure that employees do not work excessive hours to the detriment of their health and safety, even if the employee has contracted out of the 48-hour week. Other applicable rest periods under the DIFC Employment Law are 11 hours in a 24- hour period, one day (24 hours) of rest per week (over a seven-day period), one hour rest in every six-hour period.

• Employers are required to pay fixed rates of compensation when an employee sustains an employment accident, or dies as a result of an employment accident, or contracts an occupational disease. Employers are also required to obtain and maintain permanent health insurance for all of its full time employees.

Termination of Employment

The Employment Law provides for a minimum notice period for both an employer and an employee, as follows:

• After the first month, 7 calendar days, if the period of continuous employment is less than 3 months;

• 30 calendar days, if the period of continuous employment is 3 months or more; or

• 90 calendar days, if the period of continuous employment is 5 years or more.

However and employer and an employee may agree to a longer or shorter period of notice.

The Employment Law also provides that an employer or an employee may terminate an employee's employment without notice for cause in circumstances where the conduct of one party warrants termination and where a reasonable employer or employee would have terminated the employment

End of Service Benefits

Upon termination of employment, an employee is entitled to a gratuity payment—provided the employee has completed a minimum of one year's service. The gratuity payable is calculated on the basis of 21 days salary for each year of completed service for the first five years and 30 days salary for every year of service thereafter. The total gratuity, however, cannot exceed two years' pay. The gratuity is based on the basic salary of the employee immediately prior to termination. In calculating the gratuity, allowances and bonuses are not included.

The gratuity provisions are not applied where an employer has established a pension scheme for the employees, and provides (in writing, to the employee, prior to commencing work) the option of choosing between participation in the pension scheme or receiving an end-of-service gratuity payment.

Payroll Compliance and Record Keeping

Broadly, the Employment Law does not provide for tax or social security contributions (except for Emirati and GCC national employees). It does, however, prescribe certain payroll recording obligations. Employers are required to maintain detailed information on each employee.

Immigration

The immigration policy followed by the federal authorities is relatively liberal, reflecting the need for an expatriate workforce to operate and develop a fast-growing economy. The vast majority of the UAE's population is expatriate and employers, particularly those in DIFC, should have little difficulty finding personnel in the resident population, or in recruiting and obtaining work permits for staff located overseas.

Work and Residence Permits

Foreign nationals who wish to work in the UAE must be sponsored to do so by an entity registered and licensed to operate in Dubai. Where an entity is established in the DIFC, the DIFC Authority will act as sponsor as discussed above. A residency visa and work authorisation allows a foreign national to work and reside in the UAE with a specific employer and is valid for two years at a time. The application for a sponsorship should be completed by the employee's prospective employer ("the sponsoring company") through the DIFC Authority.

Part of the sponsorship process requires the employee to undergo a medical examination including a blood test. After a residency visa has been obtained, the employee may apply for residency visas for his/her spouse and children, subject to minimum earnings requirements. A residency visa is required for an employee to open a bank account, own a motor vehicle, rent residential premises and to obtain telephone and utility connections.

The DIFC Authority provides a complete visa service to DIFC entities, their employees and the employees' dependants. The service aims to significantly reduce and simplify the visa process for entities operating in the DIFC. In this process, the sponsoring employer remains ultimately liable to the DIFC Authority for all related costs and liabilities.

Visit Visas

Foreign nationals visiting the UAE from certain countries (typically in Western Europe and North America) can obtain a visit visa upon entry to the UAE. The visit visa is initially valid for 30 days, but may be extended for a further 30 days.

Foreign nationals from other countries can obtain either a transit visa (for stays of up to fourteen days), or a visit visa (valid for a stay of thirty days), both of which must be guaranteed by a UAE based sponsor. For a transit visa, the sponsor can be either a hotel or a business registered to operate in the UAE, whilst a visit visa can be sponsored by a business registered to operate in the UAE or by an individual holding a residence visa in the UAE- provided the person is sponsoring an immediate blood relative and earns a salary above a specified minimum. The 14-day transit visa cannot be extended. However, the one-month visit visa can be extended twice –one month at a time – for a maximum of three months.

Individuals who enter the country on a visit visa or transit visa must not undertake substantive work in the UAE. Such visas are intended for the purposes of attending a one off business meeting or conference.

17.5 Data Protection

The DIFC Authority, rather than the DFSA, is responsible for policing the DIFC Data Protection Law, (DIFC Law No.1 of 2007). The key provisions include:

In relation to transferring personal data outside the DIFC, Article 11 of the Data Protection Law permits a transfer of personal data outside the DIFC to a recipient if an adequate level of protection for that personal data is ensured by laws of the jurisdiction into which the information is being transferred. Alternatively, Article 12 of the Data Protection Law defines a number of circumstances in which the transfer is permitted even if the jurisdiction in question does not provide an adequate level of protection for that personal data. These defined circumstances include the data subject consenting to the transfer taking place or the Commissioner of Data Protection or his delegate granting a permit or written authorisation for the transfer / set of transfers of personal data outside the DIFC to take place.

Article 10 (1) of the Data Protection Law prohibits the processing of sensitive personal data except in certain defined circumstances. However, under Article 10(2) it is possible to apply for a permit to process sensitive personal data from the Commissioner of Data Protection provided the data controller applies adequate safeguards with respect to such processing. An application for such a permit must be in writing and set out the following information:

(a) the name and address of the proposed data controller;

(b) the name, address, telephone number and e-mail address of the person within the data controller responsible for making the application for the permit;

(c) a description of the processing activities for which the permit is being sought, including a description of the nature of the sensitive personal data involved;

(d) the purpose of the processing of the sensitive personal data;

(e) the identity of the data subjects to whom the data relates, or in the event of classes of data subjects being affected, a description of that class;

(f) the identity of any person to whom the data controller intends disclosing the sensitive personal data;

(g) to which jurisdictions, if known, such sensitive personal data must be transferred outside of the DIFC;

(h) a description of the safeguards put into place by the data controller, to ensure the security of the sensitive personal data; and

(i) any further information as may be required by the Commissioner of Data Protection in order to determine whether to grant such a permit.

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GLOSSARY

ADX
Abu Dhabi Securities Exchange;

AML
the Anti-Money Laundering, Counter-Terrorist Financing and Sanctions module of the DFSA Rulebook;

AUT CORE
the core application form for authorisation to carry out Financial Services within the DIFC;

AUT IND 1
the application form for Authorised Individual status;

AUT INS
the application form for Insurance, Reinsurance and International Business;

Authorised Firm
a person, other than an Authorised Market Institution, who holds a Licence (to conduct Financial Services);

Authorised Individual
an individual who has been authorised by the DFSA to carry out one or more Licensed Functions;

Authorised Market Institution
a person who is licensed by the DFSA in relation to the carrying on either or both of the Financial Services prescribed in GEN Rule 2.17.1 (operating an exchange) and GEN 2.18.1 (operating a clearing house);

Captive Insurer
as defined in Chapter 9;

Captive Manager
as defined at in Chapter 7;

Category 4 Authorised Firm
an Authorised Firm carrying on either Insurance Intermediation or Insurance Management as described in the PIB Module of the DFSA Rulebook;

CDD
customer due diligence;

CFI
court of first instance'

CIR
the Collective Investment Rules module of the DFSA Rulebook;

COB
the Conduct of Business module of the DFSA Rulebook;

Commercial Licence
a licence granted by the DIFCA to a DIFC based entity;

CTF
counter-terrorism finance;

DFM
Dubai Financial Markets;

DFSA
Dubai Financial Services Authority;

DIFC
Dubai International Financial Centre;

DIFCA
Dubai International Financial Centre Authority;

DIFC ROC
Dubai International Financial Centre Registrar of Companies;

DIFC Courts
the Courts of the DIFC (see [Chapters 33 and 1616] above);

DIFC Investments
DIFC Investments (Company) LLC;

DNFBP
Designated Non-Financial Business or Profession, as defined in the AML module of the DFSA Rulebook;

FDI
foreign direct investment;

FER
the Fees module of the DFSA Rulebook;

Financial Service
a financial activity prescribed in GEN section 2.2, including Effecting Contracts of Insurance, Carrying out Contracts of Insurance, Insurance Intermediation and Insurance Management;

Financial Services Regulator
a regulator of financial service activities established in a jurisdiction other than the DIFC;

GCC
the Gulf Cooperation Council (or properly called the Cooperation Council for the Arab States of the Gulf) the members of which are the UAE, Qatar, Saudi Arabia, Kuwait, Oman and Bahrain;

GEN
the General module of the DFSA Rulebook;

Hawkamah
Hawkamah Corporate Governance Institute;

Insurance Law
UAE Federal Law No. 6 of 2007 (as amended);

Insurer
an entity that undertakes Insurance (or (re)Insurance) Business;

Insurance Business
the business of Effecting Contracts of Insurance and Carrying out Contracts of Insurance, including effecting or carrying out contracts of reinsurance (as reinsurer);

Insurance Intermediary
an Authorised Firm whose Licence authorises it to carry on the Financial Service of Insurance Intermediation;

Insurance Manager
an Authorised Firm whose Licence authorises it to carry on the Financial Service of Insurance Management;

Insurer
a Person carrying on in the DIFC either or both of the following Financial Services for which it has authorisation under its Licence:
(a) Effecting Contracts of Insurance; or
(b) Carrying Out Contracts of Insurance;

LCIA
London Court of International Arbitration'

Licence
a licence granted by the DFSA under Chapter 2 of Part 3 of the Regulatory Law 2004 permitting the Authorised Firm to carry out Financial Services;

Licensed Function
a function described in GEN section 7.4 (including Senior Executive Officer/Senior Manager, Compliance Officer, Director or Partner, Finance Officer, Money Laundering Reporting Officer);

LLC
a Limited Liability Company incorporated under the DIFC Companies Law;

Long Term Insurance
a contract of insurance of a type specified in GEN rule A4.1.2, expressed to be in force for more than one year, where under the terms of the contract any of the following conditions exists: (1) the payment of the whole or part of the benefits is dependent upon the termination or continuation or human life; (2) the payment of any part of the premiums is dependent upon the termination or continuation of human life; (3) the benefits under the contract include payment of a sum on marriage or on the birth of a child; or (4) the contract is a permanent health insurance contract;

LTD
a Company Limited by Shares incorporated under the DIFC Companies Law;

Market Counterparty
a market counterparty as defined in COB;

MENA
Middle East and North Africa;

MLRO
Money Laundering Reporting Officer;

NASDAQ Dubai
an international stock exchange located in the DIFC formerly known as the Dubai International Financial Exchange Limited or DIFX;

PCC
a protected cell company (see [Chapter 99] above);

PIB
the Prudential Investment, Insurance Intermediation & Banking module of the DFSA Rulebook;

PIN
the Prudential Insurance Business module of the DFSA Rulebook;

RBP
Regulatory Business Plan;

RAC
Regulatory Appeals Committee of the DFSA;

REP
the Representative Office module of the DFSA Rulebook;

Re-Takaful
Shari'a compliant reinsurance products;

Takaful
Shari'a compliant insurance products; and

UAE
United Arab Emirates.

Appendix A – Memorandum of Understanding signed by the DFSA

Multi-lateral MoUs

1. The International Organisation of Securities Commissions (IOSCO)

2. The Boca Declaration

3. The Asian-Oceanian Standard-Setters Group (AOSSG)

4. The International Association of Insurance Supervisors (IAIS)

Bi-lateral MoUs

1. Australia
Australian Securities and Investments Commission (ASIC)

2. Belgium
Banking, Finance and Insurance Commission (CBFA)

3. Canada
Superintendent of Financial Institutions of Canada (OSFI)

4. Cayman Islands
Cayman Islands Monetary Authority (CIMA)

5.China
China Banking Regulatory Commission (CBRC)

6.China
China Securities Regulatory Commission (CRSC)

7.Cyprus
Securities and Exchange Commission (SEC)

8.Denmark
Finanstilsynet

9.Dubai
Dubai Policy

10.Dubai
Public Prosecution Department

11.Egypt
Capital Markets Authority (CMA)

12.Egypt
Egyptian Financial Supervisory Authority (EFSA)

13. Europe
European Securities and Markes Authority

14. France
Banque de France

15. France
French Markets Authority (FMA)

16. Germany
Bundesanstalt fur finanzdienstleistungsaufsicht (BaFin)

17. Greece
Hellenic Capital Market Commission (HCMC)

18. Guernsey
Financial Services Commission (FSC)

19. Hong Kong
Securities and Futures Commission (SFC)

20. Iceland
The Financial Supervisory Authority (FME)

21. India
Reserve Bank of India (RBI)

22. India
Securities and Exchange Board of India (SEBI)

23. Ireland
Irish Financial Services Regulatory Authority

24. Isle of Man
Financial Supervision Commission (FSC)

25. Isle of Man
Insurance and Pensions Authority (IPA)

26. Italy
Italian Securities and Exchange Commission (CONSOB)

27. Italy
Bank of Italy

28. Japan
Japan Financial Services Authority (JFSA)

29. Japan
Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Economy, Trade and Industry (METI)

30. Jersey
Financial Services Commission (JFSC)

31. Jordan
Insurance Commission (IC)

32. Jordan
Central Bank of Jordan (CBJ)

33. Lebanon
Banque du Liban (BDL)

34. Luxembourg
Commission de Surveillance du Secteur Financier (CSSF)

35. Malaysia
Securities Commission (SC)

36. Malaysia
Bank Negara/the Central Bank

37. Malta
Malta Financial Services Authority

38. Netherlands
Authority for the Financial Markets (AFM)

39. Netherlands
De Nederlandsche Bank (DNB)

40. New Zealand
Securities Commission (SC)

41. Oman
Capital Market Authority (CMA)

42. Portugal
Banco de Portugal

43. Qatar
Qatar Financial Centre Regulatory Authority

44. Singapore
Monetary Authority of Singapore (MAS)

45. South Africa
Financial Services Board (FSB)

46. South Africa
Reserve Bank

47. South Korea
Financial Supervisory Commission (FSC)

48. Switzerland
Swiss Financial Market Supervisory Authority (FINMA)

49. Sweden
Finansinspektionen (FI)

50. Taiwan
Financial Supervisory Commission of Chinese Taipei (FSC)

51. Thailand
Securities and Exchange Commission (SEC)

52. Turkey
Capital Markets Board (CMB)

53. Turkey
Banking Regulation and Supervision Board (BDDK)

54. UAE
Emirates Securities and Commodities Authority (ESCA)

55. UAE
Central Bank of the United Arab Emirates (CBUAE)

56. UAE
Anti-Money Laundering Suspicious Cases Unit of the Central Bank (AMLSCU)

57. UAE
Insurance Authority of the United Arab Emirates

58. United Kingdom
The Financial Conduct Authority (FCA)

59. United Kingdom
Financial Services Authority (FSA)

60. United States
Commodity Futures Trading Commission (CFTC)

61. United States
Public Company Accounting Oversight Board (PCAOB)

62. United States
The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) [and what was known as "Office of Thrift Supervision (OTS)" which ceased to be in 2011]

63. United States
New York State Banking Department

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ABOUT CLYDE & CO

Clyde & Co is the pre-eminent law firm in the area of insurance and reinsurance in the Middle East region and the largest international law firm in the GCC. We have been representing insurance interests from our UAE offices since 1989 and have partners who have been involved with the insurance industry in the Gulf for nearly 30 years.

Chambers Global 2014 has rated the firm as top ranking among law firms in the UAE in several areas, including insurance, highlighting Clyde & Co as a specialised insurance firm that attracts highly skilled insurance lawyers who know the financial services landscape. We have by far the largest dedicated team of specialist insurance lawyers in the region and advise both the local and foreign market on a daily basis on issues around the Middle East from our offices in Dubai, Abu Dhabi and Doha, Qatar.

Clyde & Co also has unrivalled expertise in insurance business within the DIFC including significant recent experience of advising many international insurance companies and brokers on establishing operations within the DIFC and assisting them with that process.

The breadth and depth of our practice places us in a unique position to advise, not only on the DIFC process, but also on the application of that practice in a local context. Our Middle East practice is backed up by a network of strategic offices which stretches from the West Coast of the USA through to Shanghai, China, all of which have specialist insurance lawyers.

We are deeply committed to the regional market and participate regularly in industry events. We also publish a quarterly update (Re:Insurance) which features articles focusing on topical legal issues in the Gulf.

With over 1,400 lawyers operating from 37 offices and associated offices in six continents, the firm advises corporates, financial institutions, private individuals, and governments. The firm has a reputation for its work in emerging markets, being the largest international firm in the Middle East and with a rapidly expanding network across Asia, Latin America and Africa.

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ABOUT MOODY'S INVESTORS SERVICE

Moody's Continues to Expand its Middle East Insurance Franchise:

Moody's Investors Service has had dedicated insurance analytic staff in its Dubai office since 2013. The team, now in its third year, continues to service our existing insurance clients and support the growth of Moody's insurance franchise in the GCC. Moody's established its Dubai office in 2007, and the insurance team complements Moody's existing Dubai-based corporate, banking and sovereign staff.

Moody's boasts over one hundred years of experience in evaluating creditworthiness, and the firm's ratings and analysis track debt covering more than 115 countries, 10,000 corporate issuers, 22,000 public finance issuers, and 82,000 structured finance obligations.

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ABOUT DUBAI INTERNATIONAL FINANCIAL CENTRE

The Dubai International Financial Centre (DIFC) is the financial hub for the Middle East, Africa and South Asia, providing a world-class platform connecting the region's markets with the economies of Europe, Asia and the Americas. It also facilitates the growth in South-South trade and investment. An onshore, international financial centre, DIFC provides a stable, mature and secure base for financial institutions to develop their wholesale businesses.

The Centre offers all the elements found in the world's most successful financial industry ecosystems, including an independent regulator, an independent judicial system with a common-law framework, a global financial exchange, inspiring architecture, powerful, enabling support services and a vibrant business community. The infrastructure within the district features ultra-modern office space, retail outlets, cafes and restaurants, art galleries, residential apartments, public green areas and hotels.

Located midway between the global financial centres of London in the West and Singapore in the East, DIFC (GMT +4) fills a vital time-zone gap with a workday that bridges the market and business hours of financial centres in both Asia and North America.

Currently, more than 1,225 active registered companies operate from the Centre, including 21 of the world's top 25 banks, 11 of the world's top 20 money managers, 7 of the top 10 insurance companies, and 9 of the top 10 law firms. Nearly 18,000 people work in the Centre.

DIFC continues to pursue expansion into new services and sectors within the Middle East, Africa and South Asia region, an area comprising over 72 countries with an approximate population of 2.8 billion and nominal GDP of US$ 6.9 trillion.

For further information,please visit our website: www.difc.ae, or follow us on Twitter @DIFC.

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Disclaimer

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GUIDE INSURANCE, REINSURANCE AND CAPTIVES IN THE DIFC

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