

SECTION 2: DIFC, THE CENTRE OF ISLAMIC EXCELLENCE

The Dubai International Financial Centre (DIFC), the world's fastest growing global financial hub, was declared open for business in 2004. The DIFC is ideally located to bridge the gap between existing financial centres of London and New York in the West and Hong Kong and Tokyo in the East and services a region with the largest untapped emerging market for financial services.

The vision of the DIFC is to shape tomorrow's financial map as a global gateway for capital and investment. Its mission is to be a catalyst for regional economic growth, development and diversification by positioning the DIFC as a globally recognised financial centre.

Critical to the DIFC's success is Dubai's established track record of realizing projects of scale in an environment that is safe, vibrant and exciting. HH Sheikh Mohammed Bin Rashid Al Maktoum, the Prime Minister of the UAE and Ruler of Dubai, has continued to lead efforts that have established the Emirate as one of the fastest growing cities in the world. During the period 2000-2006, Dubai GDP grew by cumulative annual growth rate (CAGR) of 13 per cent in real terms.

Dubai has a well-diversified economy based on international trade, banking and finance, information and communication technology, tourism and real estate. In 2005, oil contributed less than 6% of Dubai's GDP; down from around 50% in 1985 and 24% in 1993. In contrast, by 2010 the share of oil in the economy is expected to be less than 1% of GDP. This economic diversification is continuing with the establishment of new industries, private sector growth through acquisition and increased regional economic integration. The establishment of the DIFC is the next logical step in Dubai's economic development and aims to cement the Emirate as the region's main financial hub.

The DIFC has been designed to:

- Attract regional liquidity back into investment opportunities within the region and contribute to its overall economic growth.
- Facilitate planned privatisations in the region and enable initial public offerings by privately owned companies, giving impetus to the programme of deregulation and market liberalization throughout the region.
- Create added insurance and reinsurance capacity.
- Develop a global centre for Islamic finance - this is now an over \$400 billion international market serving large Islamic communities stretching from Malaysia and Indonesia to the United States.

Since its launch, DIFC has attracted international firms such as Morgan Stanley, Goldman Sachs, BNY Mellon, Barclays Capital, Credit Suisse and Deutsche Bank who have all received a licence to operate from the DIFC.

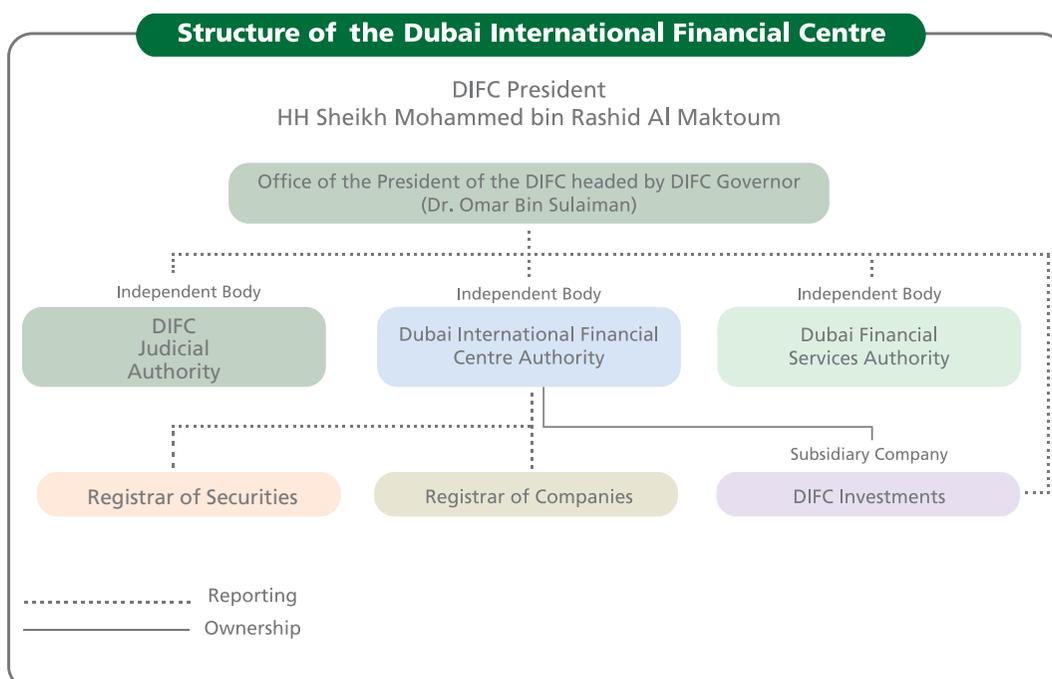
Institutions receive a number of benefits when joining the DIFC, including:

- 100 per cent foreign ownership
- Zero per cent tax rate on income and profits.
- A wide network of double taxation treaties available to the UAE incorporated entities.
- No restrictions on foreign exchange.
- Freedom to repatriate capital and profits without restrictions.
- High standards of rules and regulations
- Ultra-modern office accommodation and sophisticated infrastructure.
- Operational support and business continuity facilities of uncompromisingly high standards.

Unlike 'offshore' tax havens, the DIFC is a fully fledged 'onshore' capital market, comparable to Hong Kong, London, and New York.

The DIFC focuses on several sectors of financial activity: Banking & Brokerage Services, Capital Markets, Re-insurance & Captives, Islamic Finance, Wealth Management and Ancillary Service Providers.

Financial services in the DIFC are regulated to international standards by the Dubai Financial Services Authority (DFSA).



Jurisdictions across the globe, including the DIFC, are seeking to become the hub for Islamic finance.

The DIFC is a proven success story. It has a number of distinct advantages in maintaining that position, namely:

- Its unitary, risk-based Shari'a Systems Regulator;
- Regulations based on international standards, duly modified for Islamic finance
- A legal environment based on common law that provides certainty and familiarity
- An impressive list of authorised firms, including international conventional institutions, Islamic institutions and Islamic windows where expertise and skills can be shared and developed
- DIFC is in the heart of the Middle East, the home of Islamic Finance

DIFC's strength is not just to become the centre of Islamic finance, but in the true essence of Islam, to share that knowledge and experience with other financial centres to facilitate the sustainable growth of the Islamic financial services industry for the benefit of all.

The DIFC is a key catalyst to position Islamic Finance in the global arena, not just through the creation of an international financial centre, but through its commitment to Islamic finance as evidenced by the creation of the DIFC Islamic Finance Advisory Council (IFAC) which aims to tackle the real issues and impediments facing the Islamic financial services industry. DIFC has also provided an impressive infrastructure for developing human capital in the field of Islamic finance with its introduction of training programmes for Islamic finance practitioners, including the CASS MBA and is at the forefront of new initiatives to benefit Islamic Finance, such as the pioneering Waqf project of the DIFC, and the Hawkamah Institute which is promoting good governance across the region in conventional and Islamic institutions.

Section 7 of this guide sets out the strengths of the DIFC in providing the most conducive operating environment for Islamic Finance supporting its aspirations to become the centre of excellence in Islamic finance.

The DIFC's forward thinking and continuous support for Islamic finance as described in this guide provides a conducive environment for Islamic finance to evolve and secure its place in the global arena.