INTERNATIONAL FINANCIAL CENTRES COMPETITIVE ASSESSMENT

DECEMBER 2009

DIFC Dubai International Financial Centre

This page is intentionally left blank

Contents

International Financial Centres Competitive Assessment Report

Introduction . . . . Page 1

KPMG's Role in this Report . . . . Page 2

KPMG in the UAE . . . . Page 3

Foreword . . . . Page 5

Executive Summary . . . . Page 6

Background . . . . Page 10

DIFC's Strategic Location . . . . Page 12

Need to Separately Evaluate DIFC . . . . Page 13

Methodology . . . . Page 14

Overall Competitive Assessment Results . . . . Page 17

Detailed Rankings and Scores . . . . Page 23

Industry Opinion Pillar . . . . Page 23

Industry Performance Pillar . . . . Page 25

Capability Measurement Pillar . . . . Page 27

Capability Measurement Scores . . . . Page 29

Concluding Remarks . . . . Page 35

Appendix

Criteria for Selection of Financial Centres . . . . Page 37

Approach to Competitive Measurement . . . . Page 38

Overall Scoring Methodology . . . . Page 39

Basis of Selection of Leading Indicators . . . . Page 44

Detailed Explanation of Leading Indicators . . . . Page 45

Notes . . . . Page 49

INTRODUCTION

Over the last decade, Dubai has grown rapidly to become a large business and trading centre. The catalyst for its growth has been the launch of economic free zones that created a world-class infrastructure and business friendly environment for diverse industries to grow and flourish. First launched in the mid 1980s, economic free zones raised the Emirate's attractiveness as a destination for foreign investment. Taking advantage of its strategic location on the crossroads of the US and Europe in the west and the Far East, Dubai emerged as a strategic base for a wide range of non-oil businesses. The economic development stimulated by the free zones raised Dubai's global profile into one of the world's most important and dynamic business cities.

The launch of the Dubai International Financial Centre (DIFC) in 2004 added a new dimension to Dubai's diversification programme. DIFC rode the crest of an economic development wave ushered in by the creation of specialised economic free zones in Dubai. DIFC represents a new generation of free zones that are driving the next phase of Dubai's economic growth. By developing a world-class hard and soft infrastructure, DIFC has created a secure and productive platform from which financial institutions are able to tap the vast growth potential for investment, insurance and capital market services in the region.

Various global studies such as the Global Financial Centre Index published by the City of London and the Financial Development Index published by the World Economic Forum, conducted over the past two to three years, have recognised the growing global importance of Dubai and UAE. These studies have also recognised DIFC's significant contribution to the increased prominence of Dubai and the UAE as global centres of financial activity. However, none of these global studies have evaluated DIFC on its independent merit.

The 'International Financial Centres Competitive Assessment Report' ("the Report") is the first such study conducted by DIFC which assesses DIFC as a separate entity benchmarked against 14 other leading international and regional financial centres in order to measure their competitiveness. This Report has been released by DIFC in association with KPMG in the UAE. DIFC commissioned KPMG in the UAE to independently assess the Report and DIFC has incorporated key recommendations made by KPMG.

KPMG'S ROLE IN THIS REPORT

KPMG in the UAE (hereinafter referred to as KPMG) conducted an independent review of the International Financial Centres Competitiveness Assessment Report (the Report) prepared by DIFC. As part of the review process, KPMG independently verified the external sources of data used in the Report.

KPMG also reviewed the assessment methodology and ranking model developed by DIFC. This included a review of the capability indicators, key assumptions made by DIFC, the scoring methodology and the basis for assigning weights to each pillar.

The review was conducted in accordance with the normally accepted approach in conducting such reviews. KPMG made such enquiries and performed such procedures as, in their professional judgment, were considered reasonable in the circumstances that were valid at the time of review of the Report.

KPMG IN THE UAE

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG in the UAE is an independent member firm of the KPMG network and is affiliated with KPMG International, a Swiss cooperative.

KPMG has been present in the UAE for more than 35 years and constitutes over 650 professionals and 22 partners, who operate from offices in Abu Dhabi, Dubai, Sharjah, and Fujairah.

KPMG firms are active participants in the development of ethical, transparent and competitive business environments in the markets within which they operate. We strongly believe that the quality and integrity of the accounting and advisory professions are vital to building and maintaining confidence in the economy. The quality and integrity of our people and our work is paramount to everything we do.

KPMG Service offerings:

Audit and Related Services

- Financial statement audit
- Financial statement compilation
- Financial statement review
- Agreed upon procedures
- Attestation services

Tax

- International tax
- Transfer pricing
- Mergers and acquisitions
- Indirect taxes
- Trade and customs
- Start-up assistance
- Expatriate services

Advisory

- Business performance services
- People and change advisory
- Business process outsourcing
- Corporate finance
- Financial risk management
- Forensic services
- IT advisory
- Internal audit, risk and compliance services
- Transaction services

KPMG Contacts:

Vijay Malhotra, Senior Partner & CEO
KPMG
P.O. Box 3800
Dubai, UAE
Tel: +971 4 4030300
Fax: +971 4 4030499
Email: vmalhotra@kpmg.com

Phil Knowles, Partner
Financial Services
KPMG
P.O. Box 3800
Dubai, UAE
Tel: +971 4 4030339
Fax: +971 4 3301515
Email: philknowles@kpmg .com

Neeraj Dassani, Partner
Business Performance Services
KPMG
P.O. Box 3800
Dubai, UAE
Tel: +971 4 4030430
Fax: +971 4 3301212
Email: ndassani@kpmg.com


DIFC

FOREWORD

International Financial Centres Competitive Assessment Report

His Excellency Ahmed Humaid Al Tayer
Governor, Dubai International Financial Centre

The global financial crisis is bringing about a restructuring of the world economy. Markets across the world are reconfiguring their systems and strategies according to changing economic realities, and the financial world could possibly witness changes in its leadership structure. In the aftermath of the crisis, as developed markets deal with issues related to regulation, executive compensation and government intervention, there is a historic opportunity for financial centres in emerging markets to gain in significance over the next decade.

The crisis and its impact have further raised the importance of 'competitiveness' of financial centres. A centre's competitiveness is thought to revolve around two key parameters – 'capability' and 'performance'. While a centre's performance determines its present position, its capability indicates its future growth potential.

Although not all centres with strong capabilities can be strong performers, there are several examples of financial centres whereby rapid growth has demonstrated a cause and effect relationship between the two sets of parameters. Centres like Singapore and Hong Kong are excellent case studies of how strong fundamental capabilities have driven performance.

The Dubai International Financial Centre (DIFC) is another example of a financial centre that has grown rapidly due to its robust capabilities. Establishing strong fundamental building blocks has enabled DIFC to develop into a leading financial industry cluster. Within just five years, DIFC has grown into a community of over 850 companies and 14,000 professionals, from all over the world.

The International Financial Centres Competitive Assessment Report has been designed to capture both aspects of capability and performance. Treating capability exclusively gives an opportunity to look at the readiness of financial centres in light of the current industry realities resulting from the global financial crisis. The capability benchmarking exercise in the Report sheds light on the relative positions and key indicators that various financial centres would need to take into consideration for being competitive in the future. It also provides insight into aspects of capabilities that are present among the 15 financial centres considered in this Report.

Under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, the DIFC has grown from strength to strength. DIFC provides international financial institutions with a competitive platform to operate out of, which has contributed to the further consolidation of Dubai's position as an international financial centre of global repute. As DIFC steps into the post crisis world we remain confident of the milestones that we need to achieve under the guidance of His Highness Sheikh Maktoum bin Mohammed Bin Rashid Al Maktoum, Deputy Ruler of Dubai and President of the DIFC.

The coming years will witness several new opportunities as well as challenges. To take advantage of these new opportunities, financial centres need to reconfigure their structures and systems in alignment with the new global economic realities. One of DIFC's key strategic objectives in the years ahead is to encourage further growth of financial services by working closely with DIFC-based firms and other stakeholders. Areas of focus for DIFC include product and concept development, increased collaboration with other regional and international markets, regulatory development and promotion of corporate governance across the region. In the process, we seek to provide new value and new opportunities for DIFC-based firms.

This Report will provide industry professionals with a better understanding of DIFC's unique value proposition and its relative strengths and weaknesses, and we invite your comments and feedback.

EXECUTIVE SUMMARY

The International Financial Centres Competitive Assessment Report evaluates the competitiveness of 15 leading international and regional financial centres. The financial centres chosen for the study are a mix of international financial centres that primarily cater to global markets and established regional financial centres catering to markets in the Middle East.

Overview of Methodology

The rankings are derived on the basis of an evaluation model which measures both 'capability' factors, or immediate benefits provided by a financial centre and 'performance' factors, or historical, or long-term results. The former is referred to as 'leading indicators' while the latter is referred to as 'lagging indicators' in the Report.

The evaluation model is comprised of three pillars, Industry Opinion, Industry Performance and Capability Measurement. The Industry Opinion pillar is based on the Global Financial Centres Index 6 (hereinafter referred to as GFCI in the Report) published by the City of London in September 2009. The Industry Performance pillar is based on the Financial Development Report 2009 (hereinafter referred to as FDR in the Report) published by the World Economic Forum (WEF). The Capability Measurement pillar is based on an assessment model created to measure the capabilities of financial centres and based on data collected from the Global Competitiveness Report 2008/2009[1], Financial Development Report 2009[2], IMF Database 2009[3], Global Office Real Estate Review 2009[4], Doing Business 2009[5], Prices and Earnings 2009[6] and EIU City Data 2008[7].

Financial Centre (Country)	Overall Competitive Assessment Ranking	Ranking under Individual Pillars		
		Industry Opinion Pillar	Industry Performance Pillar	Capability Measurement Pillar
Singapore	1	4	3	1
London (United Kingdom)	2	1	1	13
New York (United States)	3	2	2	9
Hong Kong	4	3	4	5
Zurich (Switzerland)	5	5	5	2
Tokyo (Japan)	6	6	6	15
DIFC (United Arab Emirates)	7	10	11	3
Frankfurt (Germany)	8	7	8	10
Luxembourg	9	8	10	7
Dubai (United Arab Emirates)	10	10	11	6
Paris (France)	11	9	7	14
Dublin (Ireland)	12	12	9	11
Doha (Qatar)	13	13	15	4
Manama (Bahrain)	14	13	14	8
Riyadh (Saudi Arabia)	15	15	13	12

1 Published by World Economic Forum
2 Published by World Economic Forum
3 Published by International Monetary Fund
4 Published by Colliers International
5 Published by World Bank
6 Published by UBS
7 Published by EIU

The main rankings of the Report are based on the overall competitiveness score, a composite measurement that combines scores across the three pillars.

The results show that the top five centres ranked on their overall competitiveness include Singapore, London, New York, Hong Kong and Zurich. While the survey results broadly reflect the GFCI[8] and FDR[9] rankings, where London and New York are ahead of other centres, Singapore emerges as the most competitive centre on an overall level. Singapore's top ranking is in line with its remarkably improved performance in the recent GFCI and FDI rankings.

London and New York maintain their high ranking driven by their well established financial services sectors. These two centres remain unparalleled in terms of size and magnitude of operations. However, when compared with the other 13 centres on capability factors, their performance is lower than average. This can possibly be attributed to the fact that on many variables such as cost and regulation they are not necessarily the most business friendly. Further, expectations of them implementing restrictive regulations and high taxation in the aftermath of the global financial crisis impacts their competitiveness.

Hong Kong occupies the fourth position, one step lower than its relative ranking in the recent GFCI studies. The ranking for Hong Kong can be attributed to its strong performance in the GFCI and FDR reports. It also performs well in capability measurement, especially owing to a business friendly environment. Zurich, a financial centre strongly focused on private banking and asset management, is just ahead of Tokyo in sixth place. Zurich performs exceptionally well on capability measurement ranking second among the financial centres owing to a strong business environment driven by world class regulations, infrastructure and institutional environment. Tokyo is ranked sixth due to strengths related to established markets, especially in asset management and banking. High costs and soft infrastructure issues such as language, adversely impact its capability to be a truly global financial centre.

The DIFC, evaluated independently from Dubai, occupies seventh position by virtue of its strong performance in capability measurement. Its robust performance shown by the rankings on the back of its strong scores on capability factors potentially mirrors Singapore's rankings.

Frankfurt and Luxembourg follow the DIFC in eight and ninth position respectively. Frankfurt has dropped four positions in the latest GFCI while Germany has moved down six places in the latest FDR report. This drop in ranking can be attributed to the high exposure of its financial sector to the global financial crisis. In the capability measurement, Frankfurt scores above average on business environment, especially because of its strength in areas related to its legal and regulatory environment and institution building. Luxembourg remains a well-diversified financial centre with particular strength in its legal framework and financial regulation.

Buoyed by UAE's performance in the FDR rankings and its steady improvements in the GFCI, Dubai occupies tenth position. The ranking is driven by Dubai's strong performance on most capability indicators including cost of living and doing business.

8 Global Financial Centre Index 6 (September, 2009) – Published by Y Zen Associates on behalf of the City of London

9 Financial Development Report (October, 2009) – Published by World Economic Forum

THE RISE OF DUBAI AS A BUSINESS AND FINANCIAL CENTRE

A great success story in diversified economic development, Dubai is the pre-eminent business hub in a vast region between Western Europe and East Asia. Though located in the middle of the world's oil-rich region, its growth has been built almost entirely on non-oil resources. Today, more than 95% of Dubai's GDP comes from non-oil sectors such as finance, tourism and real estate.

By opening its doors to enterprise and talent from across the world and blending it with local expertise, Dubai has shaped itself into a prominent player in global commerce. Its advanced infrastructure, visionary governance, liberal government policies, multi-lingual human capital, easy access to regional markets, and comparatively lower logistical and operational costs have potentially enabled it to attract considerable investments. Its successes in a variety of sectors including trade, transport, tourism, real estate and finance have helped the economy achieve high growth and extensive diversification.

Global surveys have recognised the high standards achieved by Dubai. The city is ranked:

- First in the region and 21st worldwide in the GFCI.[10]
- First in the region and fifth worldwide in the Bloomberg Global Poll on the "best place for financial services two years from now".[11]
- First in the region and 35th worldwide in the Mercer City Infrastructure index.[12]

A number of factors have led to Dubai's success:

1. Strategic Location: Dubai is strategically located midway between East Asia and Western Europe, as well as Central Asia in the north and Africa in the south. Its has well established trading links with a vast region of over 2 billion people covering the Gulf, Middle East, Eastern Mediterranean, Central Asia, Africa and the Asian sub-continent. This region has some of the world's fastest growing emerging markets and continued liberalisation is expected to boost demand further.

2. Political And Economic Stability: Dubai is part of the UAE, which has established a reputation for being a low-crime and politically stable country. The ability of the UAE to withstand the impact of the global financial crisis points to the UAE's financial and monetary stability. The initial signs of recovery are due to several steps taken by the government, to promote recovery from the crisis have resulted in deposit growth and capital inflows, increased activity in the markets and a rise in indexes. Its well-developed banking system ensures extensive credit facilities and ample liquidity. The state has shown consistent commitment to business friendly and liberal economic policies.

3. Open And Free Economic System: Dubai's open economic policy, minimal government control and private sector regulation have played an instrumental role in attracting vast foreign direct investment (FDI). Businesses in Dubai do not pay direct taxes on corporate profits or personal income (except for oil companies that pay a flat rate of 55% and branches of foreign banks that pay a flat rate of 20% on net profit generated within Dubai). Customs duties are low at 4% with many exemptions. Businesses can avail of 100% repatriation of capital and profits. There are no foreign exchange controls, trade quotas or barriers. A stable exchange rate exists between the US Dollar and the UAE Dirham (US$1.00=AED 3.678). Liberal visa policies permit easy importation of expatriate labour of various skill levels from almost anywhere in the world.

4. World Class Infrastructure and Service Sector: Dubai's policy of investing heavily in its transport, telecommunications, energy and industrial infrastructure has significantly enhanced its attractiveness to international business. The Emirate has seven industrial areas, one business park and three highly successful specialised free zones, two world-class seaports, a major international airport and cargo village, a modern highway network, state-of-the-art telecommunications, a recently launched Rapid Transit System (Dubai Metro) and reliable power and utilities, all of which deliver efficiency, flexibility, reliability and cost-efficiency. Complementing its world class infrastructure is a sophisticated service sector that features leading regional and international freight forwarders, shipping companies, insurers, international hotels, banks and financial service firms, lawyers, accounting firms, consultants, advertising agencies, top international exhibition and conference facilities, high-quality office and residential accommodation, first-class hospitals, schools, shopping centres and recreational facilities.

10 Global Financial Centres Index 6 – September 2009

11 Bloomberg Global Poll is based on interviews of 1,452 subscribers to the Bloomberg Professional service– October 2009

12 Mercer City Infrastructure Index – 2009

Some of Dubai's major infrastructure and industrial achievements include:

- Jebel Ali Port, the world's largest man-made harbour, and the seventh largest sea port in the world.
- Jebel Ali Free Zone, home to more than 6,000 companies from over 110 countries.
- DP World, is the fourth largest port operator in the world, having combined throughput capacity of more than 48 million TEU's in 2006.
- The US$4.25 billion Dubai Metro, the world's biggest fully automated metro project implemented as one unit.
- Dubai International Airport, named the Best Airport Worldwide by IATA Global Airport Monitor (2004), the Best International Airport Worldwide by Conde Nast Traveler Awards (2006), and the World's Leading Airport by World Travel Awards (2005).
- Dubai ranks as the world's seventh largest producer of aluminum.

5. Competitive Cost Structure: Apart from a favourable tax environment, companies in Dubai can obtain significant cost advantages due to the absence of foreign exchange controls and trade barriers or quotas. Similarly costs in other areas like import duties, labour, energy and financing are competitive by international standards. Historically high real estate costs have undergone a correction and are currently competitive.

6. Excellent Living Conditions: The absence of individual taxation, excellent urban infrastructure, low crime rate, clean environment, tolerance and cultural diversity, cosmopolitan life style, modern public administration, availability of a wide range of consumer goods and services, and a rich choice of leisure and lifestyle opportunities enable Dubai to offer a high quality of life.

7. Extensive Foreign Trade Network: Dubai boasts an extensive foreign trade network extending to 179 states, giving the investors an extensive choice of potential global marketing outlets for a diverse portfolio of goods and services. As a member of the UAE, Dubai is also part of the world's third-largest export and re-export centre, after Hong Kong and Singapore. The UAE has signed double tax treaty agreements with over 45 countries.

BACKGROUND

The DIFC was conceived and developed in line with the vision of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to build a world-class financial centre that would be a crucial player in global finance. Today DIFC continues on its growth trajectory under the patronage of Deputy Ruler of Dubai and the President of DIFC, His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum. One of DIFC's notable successes was creating the fundamental building blocks necessary for the region's financial industry to grow and integrate closely with the global economy. DIFC invested significantly in building a regulatory framework, a judicial system, a financial exchange and physical infrastructure.

In a region characterised by civil law codes, DIFC introduced a common-law framework designed to offer the optimal environment for business growth. All business activity within DIFC is governed by this legal framework with the exception of criminal issues, which are governed by UAE's federal criminal law (including anti-money laundering law). DIFC has issued a Data Protection Law compliant with international best practices and standards, the first jurisdiction in the region to have such a law.

At the heart of the DIFC model is an independent regulator, the Dubai Financial Services Authority (DFSA), which licenses and regulates the activities of all banking and financial institutions and ancillary service providers in DIFC. The DFSA, established in 2004 under Dubai Law No. 9, has supervisory authority over all financial activities that take place within the DIFC jurisdiction. This includes regulation of banks, insurance companies, asset managers, and investment firms. The DFSA also regulates service providers such as lawyers and accountants who provide services to licensed firms. In the past five years, the DFSA has established a credible and globally acclaimed track record of regulation. The International Monetary Fund (IMF) and World Bank, Financial System Stability Assessment Programme (FSAP) report on the UAE for the year 2007 gave the DFSA's securities regulations a highly positive assessment.

The DIFC Courts, the independent judicial system within the financial district, is another critical offering to the financial services industry. The rules of the DIFC Courts were designed specifically to deal with sophisticated financial transactions conducted within DIFC. Furthermore, the DIFC Courts worked extensively to ensure the highest international standards of legal procedure in order to provide the certainty, flexibility and efficiency expected by global institutions operating within DIFC. The DIFC Courts have developed a bench of internationally renowned judges well versed in commercial disputes.

The DIFC's Hawkamah Corporate Governance Institute is promoting better corporate governance standards and practices across the region. Ultimately, this should contribute to greater efficiency and competitiveness among established regional financial exchanges and institutions.

Buoyed by DIFC's rapid growth, Dubai and the UAE have made significant strides in financial-industry competitiveness. The GFCI[13] published in September 2009 ranked Dubai 21st in terms of competitiveness.

Similarly, the FDR[14] released by the WEF ranked the UAE 20th in competitiveness. Among Middle East countries, UAE achieved the highest ranking in both the reports. These rankings stand testimony to the growing influence of Dubai as a financial centre in the global financial services landscape.

The International Monetary Fund (IMF), in its country report on the UAE released in October 2007, recognises the significance of DIFC, stating, "The establishment of the DIFC contributes to competition in the UAE's financial markets. With the concept of best-practices integral to its business model, the centre is likely to have positive spill-over effects on the rest of the UAE's financial sector. It may be part of the impetus for a new UAE securities law currently in the making. It may also have contributed to ESCA's (Emirates Securities And Commodities Authority) initiatives for greater transparency and better corporate governance among UAE companies."

13 Global Financial Centres Index 6 (September, 2009) – Published by Y Zen Associates on behalf of the City of London

14 Financial Development Report (October, 2009) – Published by World Economic Forum

DIFC'S STRATEGIC LOCATION

DIFC is strategically located in the centre of a region comprising 42 countries spanning the Middle East, North and Eastern Africa, the Caspian and the Asian sub-continent. The region, which has a nominal GDP of US$4.7 trillion[15] and a population of 2.4 billion[16] includes some of the world's fastest growing markets.

The Gulf Cooperation Council (GCC), one of the most prosperous and fastest growing areas within this region, has had an average annual real GDP growth of 7.8% in 2008[17]. The GCC is home to some of the largest sovereign wealth funds[18] including the UAE's Abu Dhabi Investment Council (US$ 627billion), Saudi Arabia's SAMA Foreign Holdings (US$ 431 billion) & Kuwait Investment Authority (US$ 203 billion).

Unlike in the West and the Far East, competition between financial centres in the market catered to by DIFC is not very high. In Europe, the leading position of London is constantly challenged by centres such as Frankfurt, Zurich, Geneva and Paris, while in Asia, Singapore and Hong Kong face stiff competition from centres such as Seoul, Tokyo and Shanghai. Although financial centres have started emerging in the Middle East over the last few years, the strength of the Dubai brand and the world class hard and soft infrastructure created by DIFC have given it a distinct advantage over other financial centres.

15 IMF World Economic Outlook – April 2008

16 IMF Database - October 2009

17 IMF Database - October 2009

18 SWF Institute - August 2009

NEED TO SEPARATELY EVALUATE DIFC

The DIFC is a unique example of a successful financial industry cluster development. Unlike most financial centres elsewhere in the world, which have developed over a long period of time, DIFC has created a thriving industry ecosystem and a vibrant financial services cluster within just five years.

In the recent past, Dubai and UAE have shown consistent improvement in rankings published by leading global surveys. Dubai has steadily enhanced its scores and ranking in the GFCI. The UAE too has made significant strides over the last few years to feature among the top twenty centres in the World Economic Forum's Financial Development Report. Multilateral organisations such as the World Bank have acknowledged DIFC's contribution to this improved performance. DIFC too has gained from its association with Dubai and UAE on several fronts including infrastructure and strong government support.

However, previous ranking studies have not evaluated DIFC as a financial centre in its own right with its unique micro-economy and business ecosystem. Rather, they have sought to access DIFC as a part of Dubai or the UAE. Evaluating DIFC in isolation facilitates a focused assessment of its capabilities as a financial centre. Such a study also helps to separate the areas where DIFC's value proposition overlaps that of Dubai and the UAE. An evaluation of DIFC as an independent entity also helps to clearly understand how DIFC draws on the strengths of Dubai and UAE and contributes to enhancing the status of Dubai and UAE as global financial hubs.

Capability Measurement

As a relatively new financial centre, evaluating DIFC requires a separate focus on capability indicators (also referred to as leading indicators in the Report), which measure the immediate tangible benefits provided by a financial centre. Leading indicators measure factors that drive activity and business volume in a financial centre. Singapore is an excellent example of a financial centre, which has achieved tremendous success by concentrating on strengthening its performance in leading indicators. By providing an optimal mix of regulation, infrastructure and business friendly environment, it has emerged as one of the world's most attractive financial services destinations. The fact that it does not have a large domestic market to cater to, gives it a striking resemblance to Dubai. The foundations of its current success both in terms of business competitiveness and volume of financial flows can be attributed directly to the important initiatives taken by the government to ensure high standards on leading indicators like business environment and legal framework.

The financial crisis and the changing global economic scenario have created opportunities for financial centres to grow in stature. However, those jurisdictions which are responsive to changing business needs, and have developed capabilities in areas of business infrastructure, cost of doing business, and a world-class standard of living are better placed to negotiate challenges and take advantage of the opportunities presented. DIFC developed the capability measurement model to measure the readiness of various financial centres to take advantage of emerging new opportunities. The model evaluates the potential of a financial centre to be competitive based on its current capabilities.

METHODOLOGY

The methodology of the Report is based on the assumption that the competitiveness of a financial centre is influenced by three major pillars:

- Industry Opinion – The opinion of decision makers across financial services industry is a key component determining the competitiveness of a centre. It indicates the potential of business activity for a centre in the future. Among various studies covering financial centres, the GFCI has a large component of industry opinion embedded into the model. Feedback from the global industry based on the results from the GFCI have been used in this pillar.

- Industry Performance – The conduciveness of the environment offered by financial centres influences the variety and depth of financial business activity to a large extent. Factors that reflect the level of business volumes and overall development of financial centres are based on results obtained from the FDR cater to this pillar.

- Capability Measurement - The factors which are important to be established in order to influence industry opinion and drive business activity are drawn from the platform created by the financial centre. These are the immediate tangible benefits provided by a financial centre based on an analysis of leading indicators reflective of the business environment, cost of business and cost of living

Most financial centre rankings are based on a combination of leading and lagging indicators. The objective of the Report was to look at leading indicators seperately. At the same time, the Report creates a composite overall competitiveness score that gave balanced weightages to leading and lagging indicators. This presents rankings of financial centres from the combined perspectives of current maturity levels and future capabilities.

The overall competitiveness scores for the 15 financial centres were calculated by combining scores obtained from the three different pillars. Each pillar was given the appropriate weightage to account for overlapping of attributes.

Finally, by indexing scores to the highest scoring centre within each of the pillars, the study calculated the rankings of the other financial centres including DIFC. The final ranking is based on cumulative weighted average scores across the three pillars.

The GFCI and FDR rankings do not treat DIFC as a separate jurisdiction. Hence, for the Industry Opinion and Industry Performance pillars, the Report treated the score for Dubai/UAE as the score for DIFC.

Source of information for evaluating the three pillars of financial centre competitiveness:

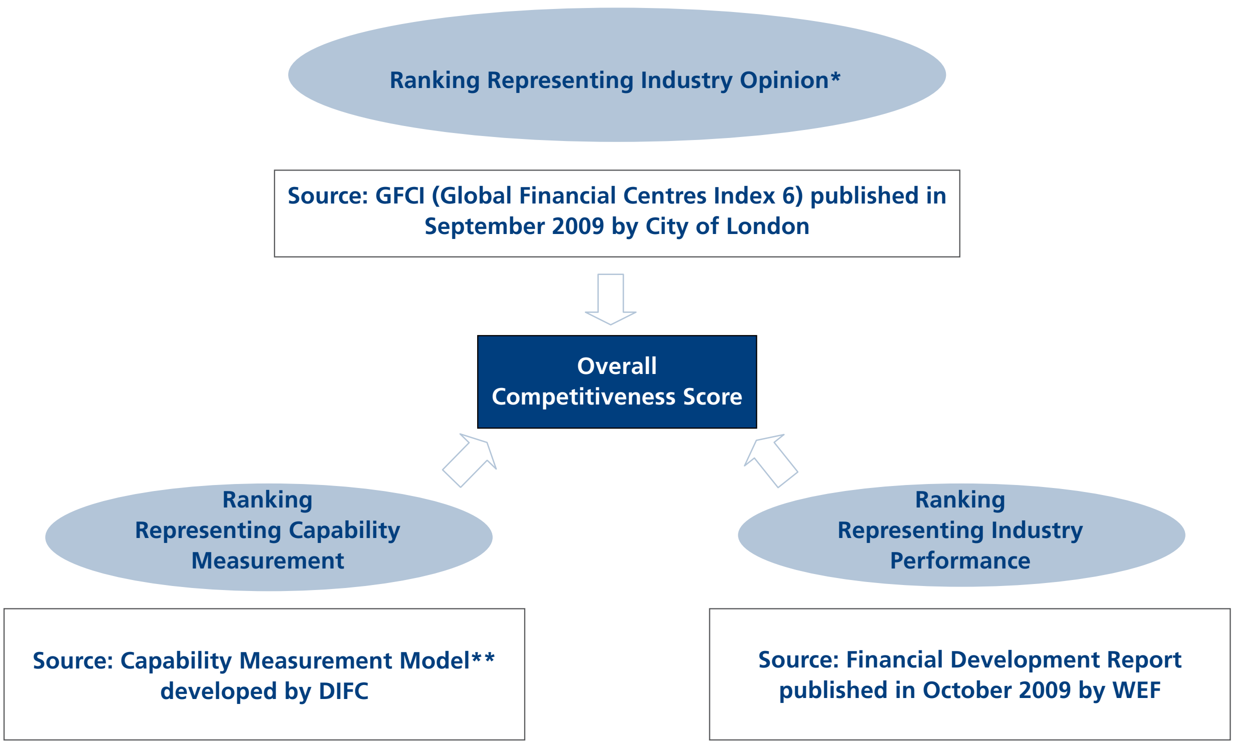
- The GFCI produced by the Z/Yen Group Ltd for the City of London monitors the perceptions of market practitioners and regulators globally on the position of their own and other international financial centres. The report uses a mix of primary data captured with questionnaire responses and supported by underpinning data to monitor and analyse the way that perceptions of financial centres are shaped.

- The WEF annually publishes the Financial Development Report, a comprehensive and robust fact based on the development of the world's financial systems. It enables a rich series of discussions, and analysis for both private and public sector organisations focused on economic development.

- The Capability Measurement Model was developed to measure the leading or the capability indicators of a financial centre in isolation. The model includes a selection of 81 leading indicators from various sources including Global Competitiveness Report 2008/2009, Financial Development Report 2009, IMF Database 2009, Global Office Real Estate Review 2009, Doing Business 2009, Price Earnings 2009 and City Data 2009 and computes an overall capability score.

Model Used for Evaluation

The three pillars of the International Financial Centres Competitive Assessment



*GFCI takes into account both industry opinion and industry indicators. However, for the purpose of this Report the GFCI report represents industry opinion since no other ranking of financial centres use industry opinion as one of the inputs.

**Focus of the capability measurement is to identify the potential of a financial centre. This is done by ranking these centres on predictive variables rather than lagging indicators like size of markets.

OVERALL COMPETITIVE ASSESSMENT RESULTS

Overall Ranking of Centres	
Singapore	1
London	2
New York	3
Hong Kong	4
Zurich	5
Tokyo	6
DIFC	7
Frankfurt	8
Luxembourg	9
Dubai	10
Paris	11
Dublin	12
Doha	13
Manama	14
Riyadh	15

Singapore emerges as the most competitive centre in this report. While the top five rankings bring together the financial powerhouses featured in most financial centre rankings, Singapore's ranking may come as a surprise to some. However, those who have followed Singapore's development over the last few years will know that this is the result of proactive efforts to develop its competitiveness.

In the capability measurement rankings, Singapore has a clear lead over other centres. It ranks first in both business environment as well as the cost of doing business. Singapore's performance in terms of its capability is consistent with the steady improvement in its ranking and scores in various financial centre surveys. In the September 2009 GFCI report, Singapore received 32 points more than its score in the previous report to climb to the fourth position. Singapore was also ranked among the top four across all sub-indices in the GFCI study.

Similarly, in the latest WEF FDR, Singapore jumped six places to occupy the fourth position. Although its overall scores dropped due to the impact of the financial crisis, the drop was much lower than that of other developed markets. The World Bank has described Singapore as having one of the most business-friendly regulations in the world.

Singapore's English legal framework, advanced logistics facilities, and independent judiciary combined with its political stability and strategic location in the centre of South East Asia make it highly competitive. In addition to this, Singapore has developed a high level of technical competence and institutional infrastructure necessary to effectively supervise its financial system. Singapore has also invested heavily in human capital development to create a highly-skilled talent pool. Although considerably smaller in size, when compared to larger financial centres such as New York and London, constant refinements in its regulatory framework has made it one of the least-burdensome jurisdictions within which to conduct business.

London, which is ranked in second in this Report, has been historically ranked as one of the world's top two financial centres. However, London's position has been negatively impacted by the recent financial crisis. The adverse impact of the crisis is reflected in the reduced gap between London and centres such as Hong Kong and Singapore in the latest GFCI report. Although London still leads in most industry verticals such as asset management, insurance and professional services, there are apprehensions over regulatory restrictions and perceived credit risk for financial institutions. Similarly in the latest WEF FDR, although the United Kingdom rose to the number one ranking surpassing the United States, its overall scores when compared to the previous FDR report saw a sharp decline.

The strength of London depends on its large established cluster, highly developed markets for banking and non-banking financial services, and its large and liquid financial markets. However London's performance in the capability measurement is below par compared to the other two pillars. On most leading indicators, London ranks lower when compared to other leading centres such as Singapore, Hong Kong and New York. Similarly, the latest FDR report ranks London comparatively lower on areas related to institutional environment, business environment and financial stability.

New York ranks third in the study. Undoubtedly it is the largest financial centre in terms of size. Its strength is reflected in its performance in various industry sub indices such as asset management, insurance and professional services. It is also the leading centre for banking. However, New York's scores in the latest GFCI report have only increased marginally compared to some of the faster-growing financial centres. In the FDR report, the scores of United States witnessed a drop forfeiting its leading position to the United

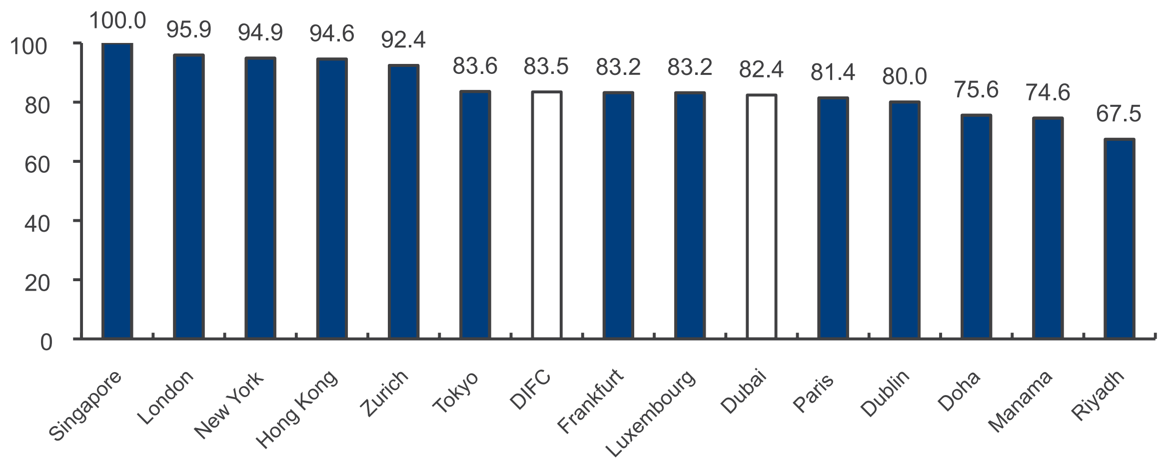
Kingdom, and falling to third position behind Australia. Its performance on factors related to the size and depth of financial markets and non-banking financial services is significantly stronger than its competition. However, on leading indicators such as institutional environment, business environment and banking financial services, it does not feature prominently among the leaders. It performs somewhat poorly on financial access and financial stability.

According to the FDR, the world's largest economies exhibited the highest reduction in absolute scores when compared with last year. The size and global nature of these economies may have led to greater exposure to the current financial turmoil, as captured in some of the more recent data in this year's FDR. The real magnitude of the impact has still not been completely reflected in most rankings and is expected to emerge over a period of time. The FDR points out that there is a lag in some of the data used to calculate the rankings. Therefore it is important not to view it as having captured the full impact of the current financial crisis. As successive editions of the report are published, the long-term effects of the crisis on financial system development will become increasingly clear.

The key factor weighing down London and New York was their low rating on financial stability. The recent spate of bankruptcies and the massive injections of public funds to rescue large financial institutions has impacted the scores of these financial centres. Apprehensions regarding regulatory overload, high corporate and individual taxation, infrastructural issues, high cost of living and high rates of unemployment also affected the scores of London and New York on leading indicators. Many perceive that the introduction of new and burdensome regulations will make conducting business more expensive and restrictive for financial players. Higher corporate and individual taxation are expected to reduce its cost competitiveness.

However, both financial centres have maintained their lead on industry performance and industry opinion, which have allowed them to maintain their leadership status in the current market scenario.

COMPETITIVE ASSESSMENT SCORES FOR FINANCIAL CENTRES



Hong Kong occupies the fourth position in the Report. In the latest GFCI report it scores 45 points more than in the previous report. It maintains its ranking among the top three in all areas of competitiveness as well as industry sectors such as banking, asset management and insurance. In the FDR report, Hong Kong ranks fifth (fourth among the 15 centres selected for this Report). Hong Kong also ranks among the leading centres on banking financial services and financial stability. It also features among the top 10 centres on the FDR on institutional environment, business environment, non-banking financial services and financial markets.

Hong Kong ranks fifth in the competitive assessment driven by the best cost of doing business score owing to its comparatively lower taxation and simple taxation procedures. It ranks fourth on business environment for the past ten consecutive years in the Heritage Foundation's Index of Economic Freedom. Hong Kong is perceived to have a strong business infrastructure, including low taxes, regulatory framework and easy access to the Chinese mainland.

Hong Kong has proven to be a resilient centre, and its association with the burgeoning Chinese market gives it certain advantages. Hong Kong is the only centre in the world where businesses can open and maintain a Renminbi (RMB) account, one of the main reasons for it being preferred as a base for managerial operations. Further, the judicial system based on English common law makes it a preferred arbitration centre even when both parties are from the Chinese mainland. Hong Kong remains the pre-eminent portfolio investment centre in Asia, and it is also the region's dominant centre for institutional investment. It has one of the most sophisticated pool of professional services talent in the region. Its future growth is likely to be driven by the growing liberalisation of portfolio flows from the mainland and it will, in the short term at least, enjoy advantages as China seeks to further integrate with the world economy.

Zurich is ranked fifth in the Report. Like the other Swiss financial centre, Geneva, Zurich's traditional strengths are in the asset management and private banking sectors. Switzerland's competitiveness has been impacted somewhat by the continuing difficulties experienced by major Swiss banks. Further the fact that Switzerland has been listed as one of the jurisdictions that have committed to the internationally agreed tax standard of Organisation of Economic Co-operation and Development (OECD) but have yet to substantially implement it, has impacted its position adversely. However, Zurich maintains its steady performance on most pillars of the FDR. It features among the top ten on institutional environment, business environment, financial market access and financial markets, and performs exceptionally well on financial stability. One of the reasons for the latter is that the Swiss Financial Market Supervisory Authority (FINMA) expects all institutions to have an additional capital buffer of 20%. At the same time the authorities are working towards regulatory arrangements to avoid a situation of "too big to fail institutions".

Zurich ranks second in the capability measurement. This is consistent with its high performance in the Global Competitiveness Report published by WEF. In the report, Switzerland replaced the United States as the most competitive centre. Switzerland ranks second on business environment owing to its excellent regulations and strong intellectual property protection. The

Financial Centre (Country)	Overall Competitive Assessment Ranking	Ranking under Individual Pillars		
		Industry Opinion Pillar	Industry Performance Pillar	Capability Measurement Pillar
Singapore	1	4	3	1
London (United Kingdom)	2	1	1	13
New York (United States)	3	2	2	9
Hong Kong	4	3	4	5
Zurich (Switzerland)	5	5	5	2
Tokyo (Japan)	6	6	6	15
DIFC (United Arab Emirates)	7	10	11	3
Frankfurt (Germany)	8	7	8	10
Luxembourg	9	8	10	7
Dubai (United Arab Emirates)	10	10	11	6
Paris (France)	11	9	7	14
Dublin (Ireland)	12	12	9	11
Doha (Qatar)	13	13	15	4
Manama (Bahrain)	14	13	14	8
Riyadh (Saudi Arabia)	15	15	13	12

country's competitiveness is also supported by excellent infrastructure and a labour market that is among the most efficient in the world.

However, Zurich is expected to face challenges in the fund management sector from centres such as Singapore due to rising uncertainty over its position as a tax haven. With some political leaders and decision makers including EU member states, which support a full information exchange in tax matters, showing their discontent towards the country's banking secrecy practices, concerns have risen among many clients of the financial centre.

Tokyo is ranked sixth in the Report, an identical placement of its ranking in the latest GFCI report, in which it scored 63 points more than the previous GFCI report. Tokyo performs well in most areas - it is fifth in the asset management sub-index and sixth in the banking sub-index. Tokyo is also fifth in the competitiveness sub-indices of people and infrastructure.

Japan dropped from fourth place in 2008 to ninth in 2009 in the FDR. With one of the world's largest market capitalisation by value, Japan scores highly in the FDR study in banking and non-banking financial services as well as financial markets. However its position in areas such as institutional environment, business environment, financial stability and financial access is weak.

The Report clearly reveals the weakness of Tokyo on leading indicators. High costs of living and conducting business place Tokyo at the bottom of the rankings on the capability measurement. The business environment too is also of concern due to perceived onerous regulations and access to markets. Tokyo faces certain critical issues in being perceived as a truly international centre. The low use of English as a business language and the perception of the Japanese market as a difficult place for foreign companies to do business are two key issues. In recent years, hedge funds and other investment funds with strong interests in Japan have increasingly considered shifting to other locations such as Hong Kong and Singapore, citing less onerous regulation of financial businesses, preferential tax treatment and lower-cost of hard and soft infrastructure compared to Tokyo.

The DIFC ranks seventh in the Report. The steady improvement of Dubai and UAE in global rankings has been largely driven by DIFC's emergence as a prominent financial centre. DIFC draws from the improved performance of the economic environment in Dubai and UAE. The primary factor behind DIFC's performance, however, is its strong capabilities. DIFC is an example of a financial centre where all soft and hard infrastructure has been purposely built to encourage financial services activity. This provides DIFC with a natural advantage since the best practice in laws, regulations and supporting infrastructure have been selected from various jurisdictions around the world, giving

DIFC a competitive advantage which is reflected in its strong showing in the capability measurement pillar. Since its inception, DIFC has created a strong business environment coupled with a very competitive cost structure. A highly-flexible labour market, strong infrastructure, a responsive government and a zero percent tax regime gives it a high capability as a financial centre.

Apart from internationally accepted laws and regulatory processes and a common-law framework, DIFC has a wholly transparent operating environment that complies with global best practices. DIFC provides a range of cost advantages and operational support. These include 100 per cent foreign ownership, zero percent tax rate on income and profits, benefits from the UAE's extensive network of double taxation treaties, no restriction on foreign exchange, freedom to repatriate capital and profits and support services that significantly raise the ability of companies to operate profitable and productive businesses. Furthermore, DIFC is strategically located to offer easy access to some of the world's fastest-growing emerging markets.

Frankfurt is ranked eighth on overall competitiveness. In the latest GFCI report Frankfurt is ranked twelfth. The GFCI report ranks Frankfurt high on government and regulatory indicators. Its banking sector also emerges among the top ten centres according to the GFCI report. In the FDR, Germany witnesses a drop in ranking from third place to twelfth. Germany features among the top ten centres on financial markets, non-banking financial services, financial stability and institutional environment. However, it scores especially low on access to markets.

Frankfurt enjoys a reputation as an international financial centre. Stable economic and social structures, a reliable legal system, its central location in both Germany and Europe, strong infrastructure, a highly qualified workforce and the huge development potential offered in all areas of business are its key strengths. The impact of the financial crisis has been felt overall on the performance of Frankfurt's financial sector which has witnessed a dramatic decline due to its high integration with the global economy. However, the general economic and political-institutional frameworks seem robust.

The robustness of Frankfurt's financial centre is primarily due to the easing of monetary policy by the European Central Bank as well as the initiatives and programmes of the federal and regional governments. They fundamentally contributed to stabilising the banking system, to restore non-bank clients' trust, and to support the economic cycle.

Luxembourg is the ninth most competitive centre. It has witnessed a drop of two places on the GFCI rankings and is currently ranked sixteenth. Luxembourg is one of the leading centres for private banking due to its strict regulations regarding customer privacy. The legal framework of Luxembourg is driven by the EU financial services action plan. However recently Luxembourg has been impacted negatively by the debate on tax havens and the 'grey and black list' published by OECD. Luxembourg is the second-largest mutual fund market after the United States which has been exposed to the global financial crisis. The continued flow of liquidity from Luxembourg's financial sector is important to financial stability in the Euro zone which has been recognised by the IMF.

On the capability measurement pillar, Luxembourg performs extremely well on business environment. The strengths in the business environment stem from a strong legal and regulatory framework, easy access to markets, strong corporate governance and institution building.

Dubai occupies the tenth position in the Report. It's rise as a financial centre has been charted in the GFCI and in the latest report it has gained 37 points over the last edition ranking in 21st place. It also features as one of the top five centres where companies are most likely to set up new offices. In the FDR, UAE ranks high on financial stability owing to steps taken by the UAE Government, including the Central Bank support, towards the banking sector with a $20 billion government bond. Excellent infrastructure, a strong merchant culture, wise leadership and effective public administration provide a robust foundation for sustainable growth for the centre to take off once the global markets return to the growth path. Dubai scores high on the capability measurement pillar being ranked sixth among the 15 centres. The competitive cost of doing business and living are two of the main indicators for the strong performance for the centre. On the business environment front, Dubai ranks strongly on several indicators including government regulations, market access, infrastructure and macroeconomic stability.

Paris, a leading EU centre, is ranked immediately after Dubai. It scores low especially on the capability measurement indicators. Dublin is the next ranked centre after Paris dropping five ranks in the latest GFCI at 23rd place. The other regional centres namely Doha, Manama and Riyadh are ranked in that order. All three regional centres along with Dubai perform strongly on the cost of living and doing business indicators.

DETAILED RANKINGS AND SCORES

Industry Opinion Pillar
(GFCI – September 2009)*

Financial Centre	Ranking among centres selected	Indexed Scores	GFCI 6 Ranking	GFCI 6 Scores
London	1	100	1	790
New York	2	98	2	774
Hong Kong	3	92	3	729
Singapore	4	91	4	719
Zurich	5	86	6	676
Tokyo	6	85	7	674
Frankfurt	7	82	12	649
Luxembourg	8	81	16	637
Paris	9	80	19	630
Dubai**	10	78	21	617
Dublin	12	78	23	613
Manama	13	71	43	558
Doha	13	71	44	558
Riyadh	15	58	68	457

- London and New York are ranked the top two financial centres in terms of industry opinion. A long history, tried and tested infrastructure, established financial cluster and strong industry perceptions are factors that contribute to their ranking.

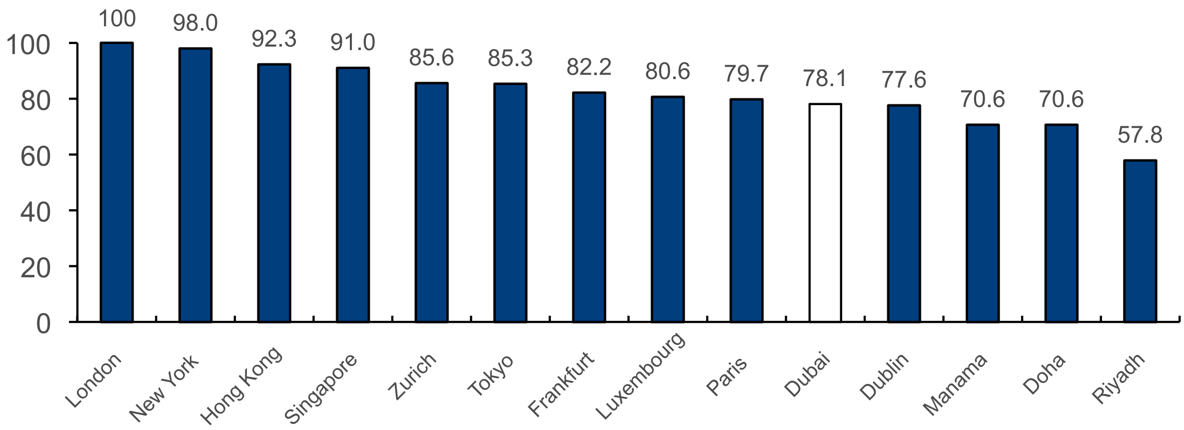
- Hong Kong and Singapore are ranked third and fourth. Both centres, although relatively new, have made significant strides in establishing themselves as important international financial centres with key links to the mainland (especially Hong Kong). They have considerably closed the gap that London and New York have maintained until as recently as March 2009. These centres have made considerable attempts at creating world-class institutional environments with high responsiveness to the crisis and supported by government action in creating a cost efficient environment.

- Zurich is ranked fifth. The centre is a niche player in the field of wealth management, asset protection, tax-advantaged investment and bank secrecy.

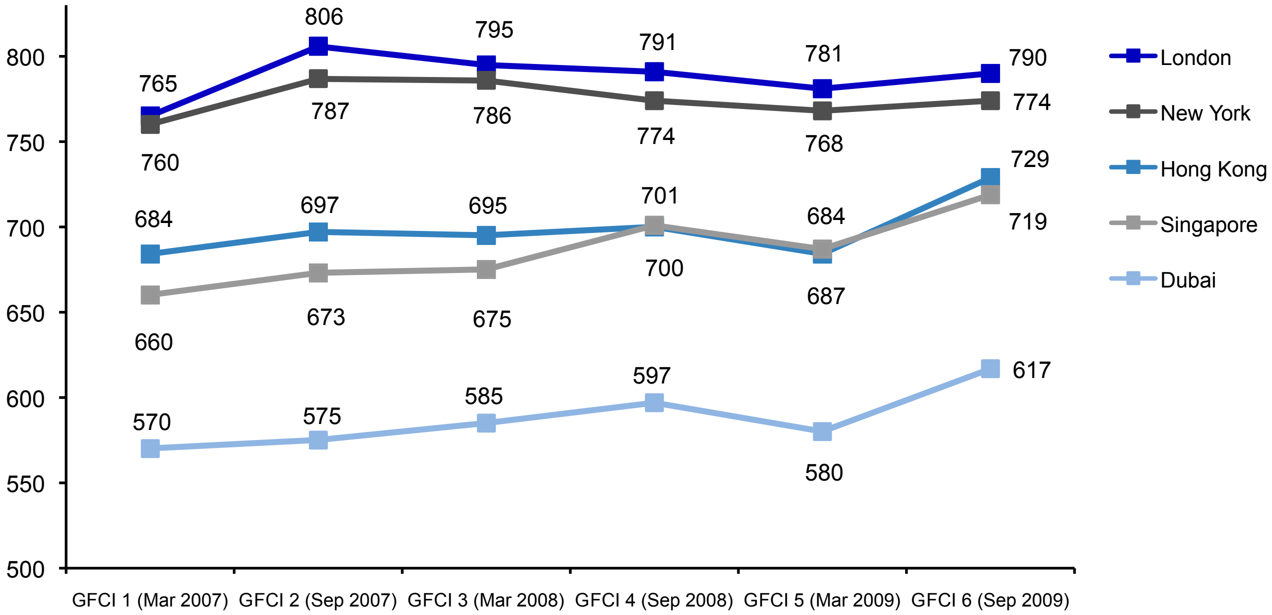
- Dubai is ranked tenth climbing 37 points since the last GFCI report. Dubai is one of the few centres which has registered a higher increase in score than the average increase in scores of the 15 centres from the last GFCI report.

* For further details please refer to the GFCI 6 report
**DIFC receives the same score as Dubai

INDUSTRY OPINION PILLAR – COMPARATIVE SCORES FOR FINANCIAL CENTRES



RISE OF EMERGING CENTRES



The rise of Singapore (up 6.8%) and Hong Kong (up 4.6%) in the GFCI index since September 2007 is evident from the above graph. Also evident is that whilst the scores of leading centres like London (down 1.98% since September 2007) and New York (down 1.65% since September 2007) have seen a drop in September 2009, Hong Kong and Singapore have been rapidly gaining momentum and closing the gap from the top two centres from September 2007 to September 2009. Dubai in addition has been able to showcase a consistently improved performance (up 7.3% since September 2007). This trend potentially suggests the narrowing gap between the Western centres and the Eastern and emerging centres.

The above chart showcases the rise of the Asian and emerging financial centres when compared to New York and London.

Industry Performance Pillar (FDI – October 2009)[19]

- Based on the FDR, the United Kingdom and the United States are the top-ranked countries. A strong showing in all different aspects of financial intermediation gives the United Kingdom top ranking. The United Kingdom scores strongly on financial sector liberalisation, M&A activity, insurance, securitisation and size of foreign exchange and derivatives markets. The United States scores well specifically on financial sector liberalisation, cost of doing business, risk of sovereign debt crisis, securitisation, M&A activity, foreign exchange and derivatives markets.

- Singapore moved up six places to rank in at the fourth place from the last FDR report. It scores well on areas related to institutional environment, business environment, currency stability, efficiency index, and size of foreign exchange and derivatives markets. Hong Kong has also shown a significant improvement in its ranking and features among the top five centres on financial stability and banking financial services.

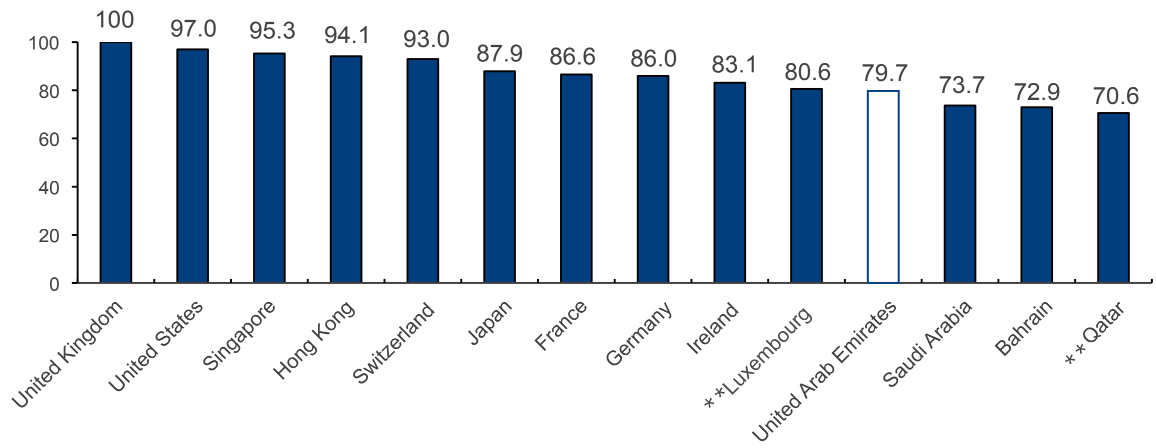
- Switzerland performs strongly on financial stability and financial markets. It specifically scores high on financial sector liberalisation, infrastructure, efficiency index, and low risk of sovereign debt crisis. Japan has strong financial markets and banking financial services. Its strengths are in areas of financial sector liberalisation, foreign exchange and derivatives markets, size and efficiency index.

- The UAE is ranked tenth among the countries compared in this pillar. Its financial sector liberalisation, non-distortionary tax and banking system stability are considered key strengths.

19 For explanation of the FDI indicators please refer to the appendix

Country	Ranking among centres selected	Indexed Scores to the Highest	FDI Ranking 2009	FDI Score
United Kingdom	1	100	1	5.28
United States	2	97.0	3	5.12
Singapore	3	95.3	4	5.03
Hong Kong	4	94.1	5	4.97
Switzerland	5	93.0	7	4.91
Japan	6	87.9	9	4.64
France	7	86.6	11	4.57
Germany	8	86.0	12	4.54
Ireland	9	83.1	16	4.39
Luxembourg**	10	80.6	N/A	4.26
United Arab Emirates*	11	79.7	20	4.21
Saudi Arabia	13	73.7	24	3.89
Bahrain	14	72.9	27	3.85
Qatar**	15	70.6	N/A	3.73

INDUSTRY PERFORMANCE PILLAR - COMPARATIVE SCORES FOR FINANCIAL CENTRES



* DIFC receives the same scores as the UAE.
** FDR Report does not cover Luxembourg or Qatar as centres. The capability measurement model was used to compute the score for Luxembourg and Qatar (Doha) using data from other studies and comparing their performance relative to other financial centres.

Capability Measurement Pillar (October 2009)

- Singapore is top-ranked among financial centres which have the highest capability/potential. As a financial centre, Singapore has a relatively shorter history when compared to other established centres. However, its rising significance is evident from its position as the financial centre with the highest capability/potential.

- Although New York and London still remain the leading financial centres, the competitive assessment study points towards the fact that when the business environment, cost of doing business and cost of living offered by them, are looked at in isolation, they do not necessarily offer the best proposition. For example, both these centres have been rated low on cost competitiveness and overall infrastructure. This is further supported by the widely perceived regulatory restrictions planned as a result of the crisis. However the two centres do maintain their leadership status owing to the sheer size of their markets.

- Zurich is the second highest ranked centre based on capability measurement. The ranking is driven by a strong performance across most business environment indicators including legal and regulatory indicators, institutional environment, corporate environment, infrastructure, technological readiness, and higher education and training. However scores for the cost of doing business and living are low for Zurich.

- DIFC ranks third in the capability measurement. DIFC's ranking results from a strong performance across the three factors of business environment, cost of doing business and cost of living.

- Doha's rank of fourth place is driven by its strong performance on cost of doing business and cost of living. Taxation and cost for starting a business are the key advantages. Other advantages include ease of employing workers, enforcing contracts, and protection of investors. On cost of living, Doha ranks third on an overall level.

Financial Centre	Overall Capability Ranking	Business Environment Ranking	Cost of Doing Business Ranking	Cost of Living Ranking
Singapore	1	1	1	8
Zurich	2	2	10	10
DIFC	3	5	3	4
Doha	4	9	4	3
Hong Kong	5	4	1	9
Dubai	6	6	9	4
Luxembourg	7	3	12	7
Manama	8	13	6	1
New York	9	8	5	14
Frankfurt	10	7	14	12
Dublin	11	14	7	6
Riyadh	12	15	8	2
London	13	11	11	11
Paris	14	10	13	15
Tokyo	15	12	14	13

- Hong Kong is ranked fifth. Hong Kong performs strongly on cost of doing business and business environment. Hong Kong's performance is driven by a strong legal and regulatory environment, access to market, and infrastructure. On cost of doing business its strength derives from employing workers, protecting investors, enforcing contracts and starting a business.

- Dubai ranks sixth. Business environment and cost of living are the drivers for the competitive advantage of Dubai. Business environment is driven by world-class infrastructure, labour market efficiency and technological readiness.

- Luxembourg's ranking of seventh is driven by its business environment which comprises strong legal and regulatory environment, market access, institutional environment and corporate governance.

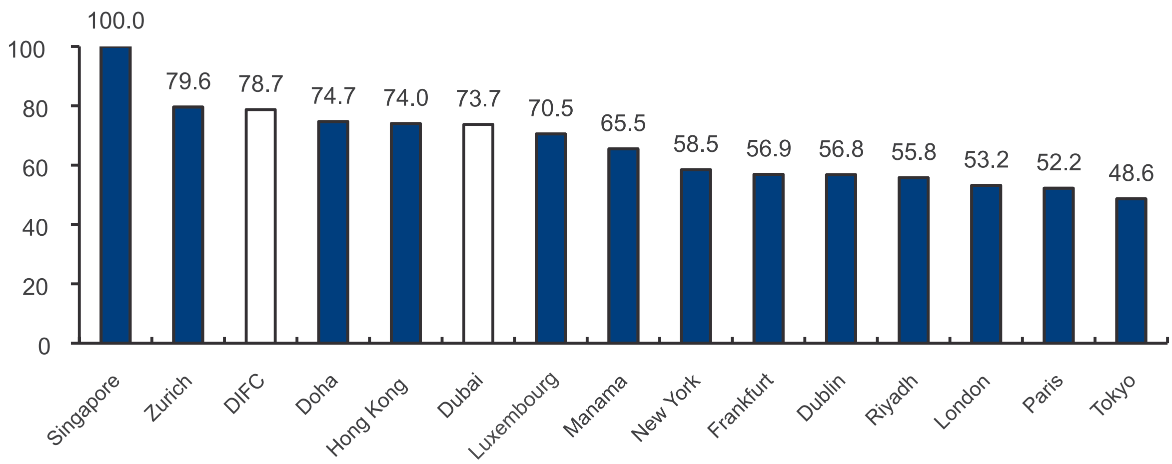
- Manama ranks eighth due to its low cost of living and low cost of doing business. Manama, has a distinct cost advantage with the lowest cost of living among centres ranked in the report.

- Frankfurt and Dublin are ranked tenth and eleventh respectively. Frankfurt's strengths are driven by its business environment owing to a strong institutional environment, corporate governance, infrastructure and technological readiness. Dublin is also strong on cost of doing business and cost of living.

- Riyadh has one of the lowest cost of living and moderately low cost of doing business which accounts for its twelfth rank.

- Paris and Tokyo are the lowest ranking centres as a result of being the most expensive among the 15 centres evaluated in the report. Paris scores low on all three factors of business environment, cost of living and cost of doing business. Tokyo is one of the most expensive cities with one of the highest cost of living and conducting business which pushes its ranking to the bottom of the capability rankings.

CAPABILITY MEASUREMENT PILLAR – COMPARATIVE SCORES FOR FINANCIAL CENTRES



CAPABILITY MEASUREMENT SCORES

The capability measurement was conducted across three factors of business environment, cost of doing business and cost of living. [20]

Results by Performance - Business Environment [21]

Business Environment			
Regulation of security exchanges Legal & Regulatory[22]	Burden of government regulation Legal & Regulatory	Public trust of politicians Legal & Regulatory	Favouritism in decisions of government officials Legal & Regulatory
Effectiveness of law-making bodies Legal & Regulatory	Judicial independence Legal & Regulatory	Financial market sophistication Access	Venture capital availability Access
Ease of access to credit Access	Ease of access to local equity market Access	Ease of access to loans Access	Property rights Institutions
Intellectual property protection Institutions	Strength of auditing and reporting standards Institutions	Efficacy of corporate boards Corporate Governance	Extent of incentive-based compensation Corporate Governance
Reliance on professional management Corporate Governance	Willingness to delegate Corporate Governance	Ethical behaviour of firms Corporate Governance	Protection of minority shareholders' interests Corporate Governance
Quality of overall infrastructure Infrastructure	Quality of overall roads Infrastructure	Quality of port infrastructure Infrastructure	Quality of air transport Infrastructure Infrastructure
Quality of railroad infrastructure Infrastructure	Quality of management schools Higher Education & Training	Extent of staff training Higher Education & Training	Availability of research and training services Higher Education & Training
Flexibility of wage determination Labour Market Efficiency	Pay and productivity Labour Market Efficiency	Brain drain Labour Market Efficiency	Availability of latest technologies Technological Readiness
GDP Per Capita Macro Stability	Inflation Macro Stability	GDP Macro Stability	

- On the factor of business environment, Singapore ranks the highest followed by Zurich, Luxembourg and Hong Kong.
- Singapore ranks first on legal and regulatory environment, institution building and corporate governance.
- Zurich scores high in areas such as business education and training, technological readiness, and financial macroeconomic stability.
- Luxembourg scores highest on access to markets ranking among the top five in areas related to institution building and macroeconomic stability.
- Hong Kong is ranked fourth, driven by strong regulation of securities exchange, low burden of government regulation, strong market access, strong property rights, high accounting standards, strong infrastructure and labour market efficiency.

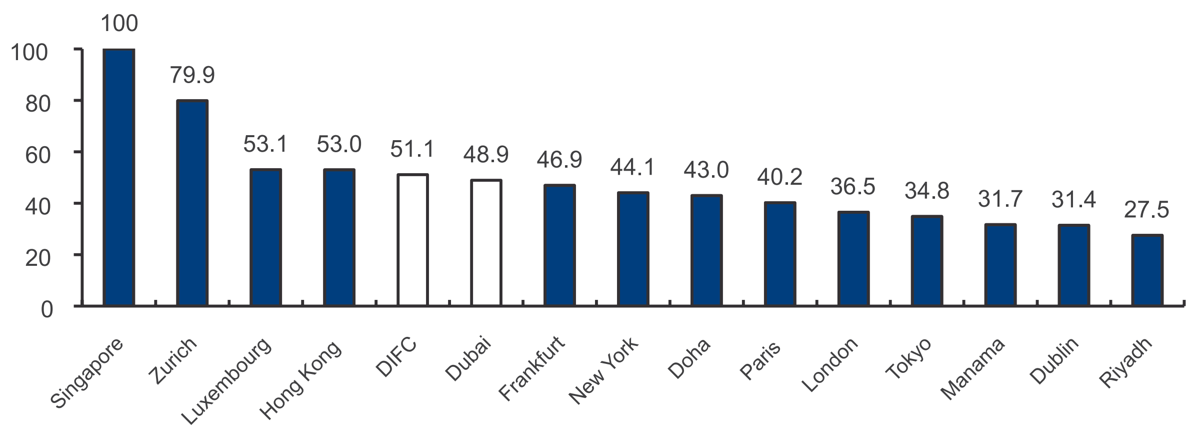
Overall Rank	
Singapore	1
Zurich	2
Luxembourg	3
Hong Kong	4
DIFC	5
Dubai	6
Frankfurt	7
New York	8
Doha	9
Paris	10
London	11
Tokyo	12
Manama	13
Dublin	14
Riyadh	15

20 Explanation of the complete methodology provided in the appendix

21 Explanation of indicators covering business environment are available in the appendix

22 Each of the indicators has been classified under broader groupings during analysis of the results. These groupings have been provided under the respective indicators

BUSINESS ENVIRONMENT FACTOR – COMPARATIVE SCORES FOR FINANCIAL CENTRES



- The DIFC scores well in areas such as legal and regulatory environment (with rankings among the top six) largely due to the fact that its structure is based on English common law and an independent judiciary. DIFC also provides easy access to financial markets and a high level of flexibility in employing workers, as a result of contract-based recruitment.

- Dubai ranks sixth due to strengths related to low burden of government regulation, high public trust of politicians, ease of access to credit, infrastructure and labour market efficiency.

- Frankfurt scores high on capability indicators such as judicial independence, regulation of security exchanges, institutional environment, corporate governance, infrastructure and technological readiness.

- New York's ranking has been impacted by perceptions of changes in regulatory standards. New proposed changes such as control on major banks by a counsel of regulators with sweeping powers to intervene and even wind down falling banks along with other proposed changes have increased fear of burdensome regulation. It has strengths related to financial market sophistication, venture capital availability and higher education and training.

- Doha scores high on labour market efficiency, higher education and training and moderately high on legal and regulatory indicators.

- Paris scores high on regulation of security exchange, market access led by local equity markets, strength of auditing standards and infrastructure.

- London scores high on judicial independence and effectiveness of law-making bodies. However, overall regulatory and legal perceptions have been impacted by the financial crisis. Other areas of strength are financial market sophistication, auditing and reporting standards and corporate governance.

- Tokyo scores well on access to credit, research and training facilities, labour market efficiency and technological readiness.

- Manama's advantages include ease of access to credit and loans and macro economic stability.

- Dublin scores well on intellectual property protection, property rights and macroeconomic stability.

- Riyadh performs well on ease of access to credit and loans.

Results by Performance - Cost of Doing Business[23]

Cost of Doing Business			
Business cost of terrorism Other Costs	Business cost of crime & violence Other Costs	Rent - per sq.ft. Other Costs	Difficulty of hiring index Employing workers
Rigidity of hours index Employing workers	Difficulty of firing index Employing workers	(Firing costs) weeks of wages Employing workers	Extent of disclosure index Protecting Investors
Extent of director liability index Protecting Investors	Taxes - payments (number) Taxation	Taxes - time (hours) Taxation	Taxes - Total tax rate (% profit) Taxation
Corporate tax rate Taxation	Enforcing contracts - procedures (number) Enforcing Contracts	Enforcing contracts - time (days) Enforcing Contracts	Enforcing contracts - Cost (% of claim) Enforcing Contracts
Cost of starting a business (% income per capita) Starting a Business	Time Required to start business (days) Starting a Business	Number of procedures to start business Starting a Business	Cost of registering property (% income per capita) Starting a Business

- Singapore and Hong Kong are ranked the highest on cost-effectiveness of doing business.

- Singapore ranks high on ease of doing business, employing workers, registering property, paying taxes, trading across borders and closing a business. On most of these indicators, it tops the list and its strong performance is reflected in the scores where it has a large margin from the other players.

- Hong Kong is strong on areas related to employing workers, protecting investors, and enforcing contracts.

- The DIFC, being a zero rated tax jurisdiction, has clear advantages on this front. Its distinct advantages arise from cost of employing workers, enforcing contracts and taxation.

- Doha also ranks high on cost of doing business. It has advantages in the areas of taxation, enforcing contracts, and starting a business.

- New York scores the highest overall in employing workers. It has also performs well in terms of cost, time and number of procedures to start a business.

- Ranking of Manama is driven by its strengths on low cost of rent, low cost of starting a business and ease of hiring.

Overall Cost of Doing Business	
Singapore	1
Hong Kong	1
DIFC	3
Doha	4
New York	5
Manama	6
Dublin	7
Riyadh	8
Dubai	9
Zurich	10
London	11
Luxembourg	12
Paris	13
Frankfurt	14
Tokyo	14

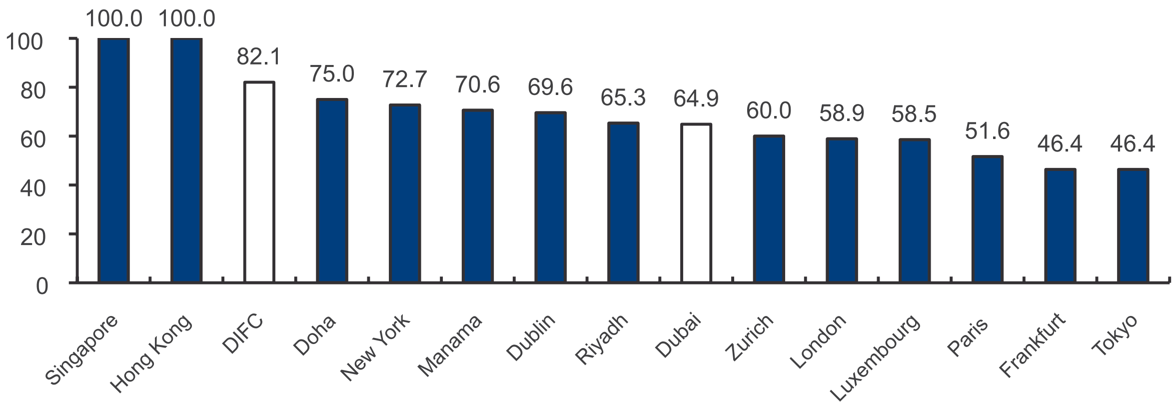
- Dublin's advantages are on rigidity of hours index, cost of starting a business, number of procedures to start a business and extent of disclosure index.

- Riyadh scored high on the cost of doing business due to recent reforms on the number of procedures to start a business and the time required to do so.

- Dubai's advantages are related to employing workers, such as difficulty of hiring and difficulty of firing indexes as well as taxation payment, time and total tax rate.

23 Explanation of indicators covering cost of doing business are available in the appendix

COST OF DOING BUSINESS FACTOR – COMPARATIVE SCORES FOR FINANCIAL CENTRES



- Zurich ranks favourably in rent, difficulty of hiring and difficulty of firing indexes.
- London scores high in protecting investors as well as difficulty of firing, cost of starting a business and number of procedures required to enforce contracts.
- In terms of cost, time, and number of payments required to enforce contracts, Luxembourg is the leading centre.
- Paris scores the highest on extent of disclosure index. It also scores well on enforcing contracts as well as the number of payments required for taxes.
- Frankfurt scores high in rent and cost of enforcing contracts.
- Tokyo performs well in rigidity of hours index and firing costs.

Results by Performance - Cost of Living[24]

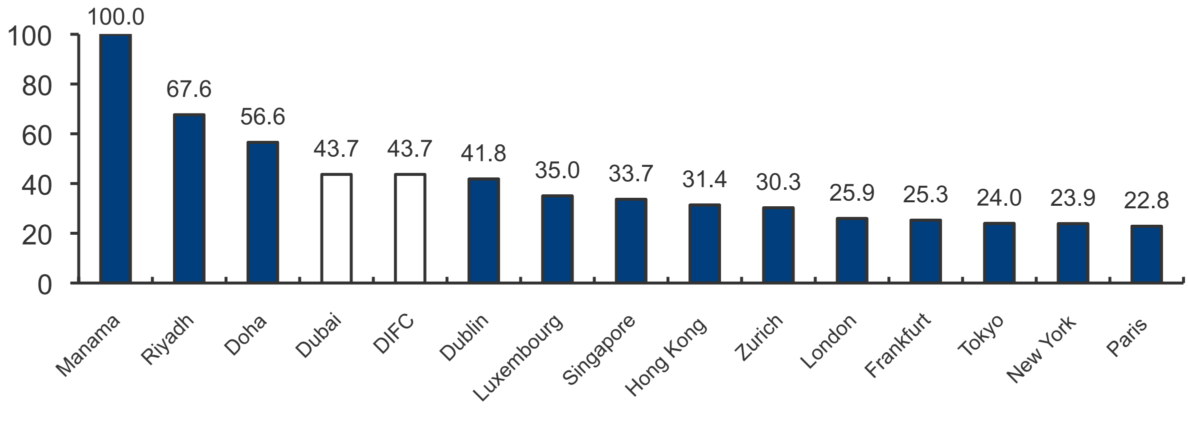
Cost of Living			
Most expensive cities index Costs	Net wage level Costs	Domestic purchasing power Costs	Telephone, monthly bill Utilities
Electricity, monthly bill Utilities	Gas, monthly bill Utilities	Water monthly bill Utilities	Typical daily cost Business Trip
Hilton type hotel Business Trip	Simple meal Business Trip	Hire car weekly rate Business Trip	Taxi: airport to city centre Business Trip
Compact car cost Automotive Costs	Annual premium for car insurance Automotive Costs	Regular unleaded petrol Automotive Costs	American/English school: kindergarten annual fees Education
American/English school: annual tuition, ages 5-12 Education	American/English school: annual tuition, ages 13-17 Education	Furnished residential apartment: 1 bedroom Accommodation	Furnished residential apartment: 2 bedroom Accommodation
Unfurnished residential apartment: 2 bedroom Accommodation	Unfurnished residential apartment: 3 bedroom Accommodation	Furnished residential house: 4 bedroom Accommodation	Disposable income (%) on salary equivalent to $60,000 (single person) Disposable Income
Disposable income (%) on salary equivalent to $60,000 (married person, 1 child) Disposable Income	Disposable income (%) on a salary equivalent to $60,000 (married person, 2 children) Disposable Income		

- All the Middle Eastern centres score strongly on cost of living indicators. The biggest advantage for these centres is that they are tax-free destinations.
- Doha, Dubai, Riyadh and Manama rank first in the overall indicator of disposable income due to lack of individual income tax.
- Manama scores the highest in education, accommodation, and disposable income.
- DIFC and Dubai score well on most indicators with the exception of cost of accommodation. The current reduction in rents however is expected to positively impact the ranking in future.
- Most leading financial centres in the developed markets score low on cost of living.
- Many established centres score comparatively lower on cost of living when compared to the leading centres.

Overall Cost of Living	
Manama	1
Riyadh	2
Doha	3
DIFC	4
Dubai	4
Dublin	6
Luxembourg	7
Singapore	8
Hong Kong	9
Zurich	10
London	11
Frankfurt	12
Tokyo	13
New York	14
Paris	15

24 Explanation of indicators covering cost of living are available in the appendix

COST OF LIVING FACTOR – COMPARATIVE SCORES FOR FINANCIAL CENTRES



CONCLUDING REMARKS

The rapid growth of Singapore and Hong Kong into international financial centres represents two of the biggest success stories in the global financial industry in the past decade. By virtue of their strong regulatory regimes and low cost of doing business, Singapore and Hong Kong have been able to present a challenge to long-established leaders such as New York and London.

Over the last few years, Singapore and Hong Kong have made concerted measures to improve their capabilities. Apart from refining their regulatory regimes and creating the conditions for lowering the cost of business, the two centres have continuously improved on various parameters key to attracting and retaining human capital.

While London and New York have a size and historical advantage, emerging centres have created their own niche. Although the leading centres are not expected to lose their status in the near future, the trends point towards a more fragmented global financial services market.

The Swiss centre, Zurich, has in recent years further capitalised on its traditional areas of strength such as asset management and private banking by providing a more friendly environment in contrast to other major centres where the extent of taxation and regulation is rising.

An analysis of the growth trajectory of financial centres shows that the leadership status of financial centres is determined by the actual usage of the platform they offer, which leads to a thriving and robust market. For newer emerging centres, it is imperative to form the right building blocks and have the capability to offer access to a large liquid market of investors.

Dubai and the UAE clearly demonstrate the role of strong capabilities (which in this study have been measured using leading indicators) in facilitating the rapid growth of newer centres. Emerging financial centres like DIFC, tend to score lower on lagging indicators, even though their performance on leading indicators may be high. Evaluating DIFC and Dubai separately on these indicators has enabled a clearer understanding of their relative strengths and weaknesses.

DIFC's growth trajectory closely resembles the early development of Singapore and Hong Kong. Today, DIFC has built a critical mass of financial services companies, which includes most of the prominent global financial services firms. In addition, there is still a tremendous opportunity to grow further, given the business environment and tax advantages DIFC offers.

DIFC operates within one of the fastest growing regions of the world. The location of DIFC provides it with a natural advantage. While the West and the Far East have more than a few established financial centres catering to those markets, the Middle East and South Asia regions currently do not have mature financial centres to form the vital link with international markets. DIFC has been established to bridge the gap for a financial centre between the West and Far East.

The results of the capability measurement pillar clearly points to DIFC's immense potential for improving its already impressive rankings to become a strong international financial centre. The strengths driving DIFC not only come from its high regulatory standards, independent judicial system and strong value offering for businesses, but also from the infrastructure and business environment offered by Dubai and the UAE. Evaluating DIFC and Dubai separately, has enabled an understanding of the interplay of DIFC's, Dubai's and the UAE's capabilities in complementing each other's competitiveness. A strong collaborative relationship between DIFC, Dubai and UAE will serve to enhance the prominence of Dubai, UAE and the region in the financial services industry in the future.

APPENDIX

ai 2009.DIFC launches The Governor's Awards in Asso
BARKA 2.10 BGD 0.03 BHGU 9.65

CRITERIA FOR SELECTION OF FINANCIAL CENTRES

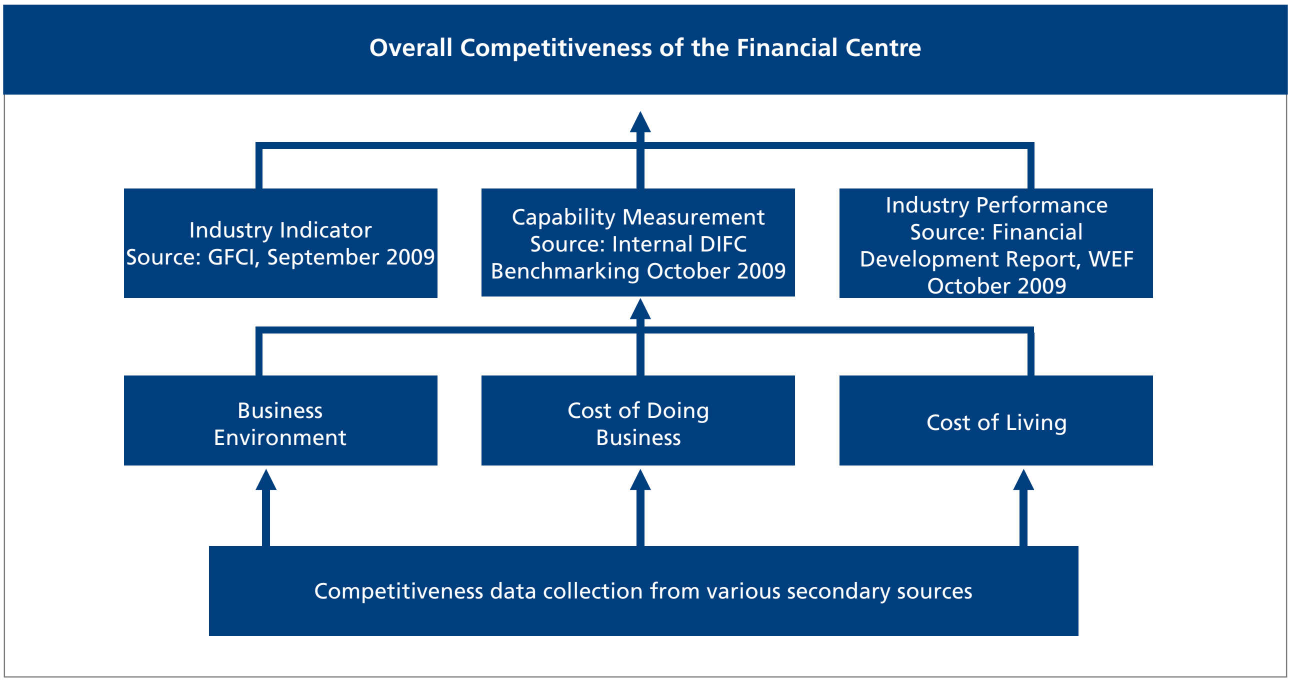
For the purpose of the rankings, 15 leading financial centres from both developed and developing markets were evaluated. All selected centres are either established international financial centres or regional centres. Some of the selected international financial centres such as Luxembourg, Singapore and Hong Kong cater mainly to global clients while other centres like London, New York and Tokyo cater to both large domestic markets as well as the global market.

Our study also includes regional established financial centres such as Frankfurt and Paris. The Report also evaluates other regional centres in the Middle East such as Doha, Manama and Riyadh. Zurich was included in the study mainly due to its international stature and its prominence in niche industry segments.

The offerings of all the selected financial centres are similar to that of DIFC, making them appropriate for comparison. The regional centres were included in the study so that DIFC can be compared with financial centres closer to home.

Leading centres, usually included in other ranking surveys, such as Chicago, Boston, San Francisco, Washington D.C, Toronto, Vancouver and Sydney, were excluded since they largely focus on domestic market needs. Similarly, Asian centres such as Shanghai, Beijing, Seoul and Mumbai were not included due to their focus on serving their domestic markets. Since they primarily cater to domestic markets, they have a different proposition from international financial centres. Similarly offshore centres were excluded since they cater to a different segment and their proposition is quite different from onshore financial centres.

APPROACH TO COMPETITIVE MEASUREMENT



The score for overall competitiveness of a financial centre was developed by combining the scores of three different pillars, namely the Industry Opinion, Industry Performance and Capability Measurement. The sources of data for the three pillars are respectively from the Global Financial Centre Index, Financial Development Report and DIFC Capability Measurement.

Scores used from the Global Financial Centre Index (GFCI) are the actual cumulative scores presented in the report published in September 2009. These scores were indexed to the financial centre receiving the highest score (which was scaled down to 100). In the latest GFCI report, London is the leading centre with a total score of 790. Scores received by all other centres were indexed to the re-scaled score of London (100). The resultant scores were used as the input for the Industry Opinion pillar.

The scores of the Financial Development Index (FDI) obtained from the Financial Development Report (FDR) published by WEF in October 2009 were also used along the same lines. Since the UK was the highest ranked country (with a score of 5.28) in the report, all other countries were indexed to the rescaled score of UK at 100. The resultant scores were used as the input for the Industry Performance pillar.

The Capability Measurement was conducted by indexing scores for all centres to the highest performing centre. In this case, Singapore, was given a score of 100 with all centres indexed based on the same.

While calculating the overall competitive assessment score, the three scores for each pillar were weighted to offset the effect of indicator overlaps since the GFCI and FDI indices include certain leading indicators used in capability measurement.

OVERALL SCORING METHODOLOGY

Scoring Methodology for Industry Opinion Pillar

The overall scores from the GFCI index were indexed to the top centre (London) as a reference at 100. The figure below shows the original and indexed scores. The scores were indexed in order to ensure consistency across the three pillars.

The scores used below were sourced from the GFCI6 released in September 2009.

City	Ranking among centres selected	Indexed Scores	GFCI 6 Ranking	GFCI 6 Scores
London	1	100	1	790
New York	2	98	2	774
Hong Kong	3	92	3	729
Singapore	4	91	4	719
Zurich	5	86	6	676
Tokyo	6	85	7	674
Frankfurt	7	82	12	649
Luxembourg	8	81	16	637
Paris	9	80	19	630
Dubai	10	78	21	617
Dublin	12	78	23	613
Manama	13	71	43	558
Doha	14	71	44	558
Riyadh	15	58	68	457

Scoring Methodology for Industry Performance Pillar

Overall scores from the Financial Development Index ranking of the FDR were indexed to the United Kingdom score at 100. The below table shows the original and indexed scores.

Country	Ranking among centres selected	Indexed Scores to the Highest	FDI Ranking 2009	FDI Score
United Kingdom	1	100	1	5.28
United States	2	97.0	3	5.12
Singapore	3	95.3	4	5.03
Hong Kong	4	94.1	5	4.97
Switzerland	5	93.0	7	4.91
Japan	6	87.9	9	4.64
France	7	86.6	11	4.57
Germany	8	86.0	12	4.54
Ireland	9	83.1	16	4.39
Luxembourg*	10	80.6	N/A	4.26
United Arab Emirates	11	79.7	20	4.21
Saudi Arabia	13	73.7	24	3.89
Bahrain	14	72.9	27	3.85
Qatar*	15	70.6	N/A	3.73

* FDR Report does not cover Luxembourg or Qatar as centres. The capability measurement model was used to compute the score for Luxembourg and Qatar (Doha) using data from other studies and comparing their performance relative to other financial centres.

Scoring Methodology for Capability Measurement

The capability measurement pillar measures the readiness of the financial centre based on a list of indicators. It takes into account three broad factors that govern a financial centre's competitiveness or capability. These three factors are:

- Business Environment – This includes indicators related to business infrastructure, legal infrastructure, access to markets, stability of institutions, corporate governance, infrastructure, higher education facilities, labour market efficiency and technological readiness.

- Cost of Doing Business – This covers various kinds of costs related to conducting business including office rent, salaries, investor protection, taxation, enforcing contracts and costs of starting a business.

- Cost of Living – This covers costs of utilities, business trips, and accommodation as well as disposable income.

A total of 81 leading indicators were used to conduct the evaluation, 35 measured the business environment, 20 measured the cost of doing business while the remaining 26 measured the cost of living.

	Overall Capability Ranking	Business Environment Ranking	Cost of Doing Business Ranking	Cost of Living Ranking
Singapore	1	1	1	8
Zurich	2	2	10	10
DIFC	3	5	3	4
Doha	4	9	4	3
Hong Kong	5	4	1	9
Dubai	6	6	9	4
Luxembourg	7	3	12	7
Manama	8	13	6	1
New York	9	8	5	14
Frankfurt	10	7	14	12
Dublin	11	14	7	6
Riyadh	12	15	8	2
London	13	11	11	11
Paris	14	10	13	15
Tokyo	15	12	14	13

Source, Calculation and Weightages for Capability Measurement

The capability measurement compares other financial centres not only with Dubai and the UAE but also with DIFC, based on a set of leading indicators that measure their future potential.

Comparisons were made on two levels:

1. Comparison of Dubai and the UAE with other centres – The data for this comparison was obtained from secondary sources. While the attempt was to source data for Dubai across all indicators, certain sources like the Global Competitiveness Report of the WEF only evaluates centres at a country level. Wherever data for Dubai was not available, the figures for the UAE have been used instead.

2. Comparison of DIFC with other centres – Scores for DIFC were allotted for each leading indicator based on a subjective assessment. Wherever the source of the leading indicator included a methodology which could be used to compute a score for DIFC, the methodology was applied. DIFC was given a fairly conservative ranking so that its scores were not overestimated. In the case of indicators in which DIFC does not have a direct influence, the Report considered the scores given to Dubai to be the same for DIFC.

The various sources used for the DIFC Capability Benchmark were:

Business Environment

- Global Competitiveness Report, World Economic Forum (2009 - 2010)
- The Financial Development Report, World Economic Forum (2009)
- IMF Database 2009

Cost of Doing Business

- Ease of Doing Business Index, The World Bank (2010)
- The Financial Development Report, World Economic Forum (2009)
- Global Real Estate Review 2008 - Colliers International Global Real Estate Review

Cost of Living

- EIU City Data – Economic Intelligence Unit (2008)
- Prices and Earnings, UBS (2009)

Capability Measurement of a Financial Centre

Overall Factors **Overall Factors**

Business Environment

- Institution
- Corporate governance
- Infrastructure
- Macroeconomic stability
- Higher education and training
- Labour market efficiency
- Technological readiness
- Business sophistication
- Legal and regulatory

Cost of doing Business

- Ease of doing business
- Rent
- Employing workers
- Protecting investors
- Paying taxes
- Enforcing contracts
- Closing a business
- Access

Cost of Living

- Cost
- Utilities
- Business trip
- Automotive costs
- Education
- Accommodation
- Disposable income

The Global Competitiveness Report (GCR) published by WEF (2009 - 2010) uses publicly available data as well as the results of the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum in association with its network of partner institutes in the countries covered by the report. The latest GCR polled over 11,000 business leaders in 131 economies worldwide

The FDR published by WEF comprehensively analyses financial systems and capital markets in 52 countries to explore key drivers of financial system development and economic growth in developing and developed countries. The report provides a tool against which countries can benchmark themselves and establish priorities for financial system improvement. An important and unique measure captured by the report includes the degree to which businesses feel they can easily access capital - a measure, which does not always correspond to the total size and depth of financial assets in the countries included in the Index

The Ease of Doing Business Index published by The World Bank (2010) ranks 181 countries based on their ease of doing business. A high ranking in the Index indicates that the country's regulatory environment is conducive to business operations. The index averages the country's percentile rankings on ten topics, comprised of a variety of indicators, giving equal weight to each topic.

The Global Real Estate Review 2008 published by Colliers International provides insights into global office market conditions. Furthermore, it features prices per square foot, vacancy rates, and office space under construction for over 140 cities around the world.

EIU City Data published by the Economic Intelligence Unit (2008) contains price data on over 160 products and services in 140 cities worldwide from 1990 to the present day. It provides the most complete picture of global price levels available.

Methodology of the Scoring

The performance of Dubai/UAE and DIFC was evaluated using three broad factors – Business Environment, Cost of Doing Business and Cost of Living. The financial centres were given a score for each of the indicators based on their performance. These scores were calculated using various sources mentioned above. Once the scores for Dubai/UAE and the other centres were calculated, DIFC was given a score based on the following guidelines:

- Comparison of the DIFC proposition against the other 14 financial centres. This exercise was undertaken in detail using secondary sources for both quantitative and qualitative data. Following the collection of data, a suitable score was given to DIFC.

- Using the above set of data, a cumulative score was developed to provide a ranking for DIFC on each of the three factors - Business Environment, Cost of Doing Business and Cost of Living. Further, this data was compiled to calculate the overall score and ranking for DIFC.

- The final overall rank was reached by calculating the average weighted score for the three factors. The overall weightages were applied to the three broad factors based on the number of indicators within these factors.

BASIS OF SELECTION OF LEADING INDICATORS

While choosing the leading indicators, the following points were taken into consideration:

- The leading indicators were chosen from a reputable source and were derived through a sound methodology.
- The leading indicators were readily available and regularly updated.
- No weightage was applied to the leading indicators and all indicators were given equal importance
- The leading indicators were entered directly into the DIFC model, whether the indicators were in the form of scores, ranks, derived scores or results from other benchmarking studies.
- If a variable did not contain a value for a particular financial centre, its ranking was based on the average ranking of the centre across all indicators.
- The sources of certain leading indicators present country-specific data. As these indicators are primarily driven by the contribution of the prominent financial centres within each country, the indicators have been considered applicable to individual financial centres.

DETAILED EXPLANATION OF LEADING INDICATORS

Business Environment		
Regulation of security exchanges	WEF – The Global Competitiveness Report – 2009/2010	How would you assess the regulation of securities exchanges in your country?
Burden of government regulation	WEF – The Global Competitiveness Report – 2009/2010	How burdensome is it for businesses in your country to comply with governmental administrative requirements (e.g., permits, regulations, reporting)?
Public trust of politicians	WEF – The Global Competitiveness Report – 2009/2010	How would you rate the level of public trust in the ethical standards of politicians in your country?
Favouritism in decisions of government officials	WEF – The Global Competitiveness Report – 2009/2010	To what extent do government officials in your country show favoritism to well-connected firms and individuals when deciding upon policies and contracts?
Effectiveness of law-making bodies	WEF - The Financial Development Report – 2009	How effective is your national parliament/congress as a law-making institution?
Judicial independence	WEF – The Global Competitiveness Report – 2009/2010	To what extent is the judiciary in your country independent from influences of members of government, citizens, or firms?
Financial market sophistication	WEF – The Global Competitiveness Report – 2009/2010	How would you assess the level of sophistication of financial markets in your country?
Venture capital availability	WEF – The Global Competitiveness Report – 2009/2010	In your country, how easy is it for entrepreneurs with innovative but risky projects to find venture capital?
Ease of access to credit	WEF - The Financial Development Report – 2009	How easy is it to access credit for businesses?
Ease of access to local equity market	WEF - The Financial Development Report – 2009	How easy is it to raise money by issuing shares on the stock market in your country?
Ease of access to loans	WEF – The Global Competitiveness Report – 2009/2010	How easy is it to obtain a bank loan in your country with only a good business plan and no collateral?
Property rights	WEF – The Global Competitiveness Report – 2009/2010	How would you rate the protection of property rights, including financial assets, in your country?
Intellectual property protection	WEF – The Global Competitiveness Report – 2009/2010	How would you rate intellectual property protection, including anti-counterfeiting measures, in your country?
Strength of auditing and reporting standards	WEF – The Global Competitiveness Report – 2009/2010	In your country, how would you assess financial auditing and reporting standards regarding company financial performance?
Efficacy of corporate boards	WEF – The Global Competitiveness Report – 2009/2010	How would you characterise corporate governance by investors and boards of directors in your country?
Extent of incentive-based compensation	WEF - The Financial Development Report – 2009	Is cash compensation of management is based exclusively on salary or made up in large part of performance-based benefits?
Reliance on professional management	WEF – The Global Competitiveness Report – 2009/2010	In your country, who holds senior management positions?
Willingness to delegate	WEF – The Global Competitiveness Report – 2009/2010	In your company, willingness to delegate authority to subordinates is low whereby top management controls all important decisions, or high whereby authority is mostly delegated to business unit heads and other lower-level managers
Ethical behaviour of firms	WEF – The Global Competitiveness Report – 2009/2010	How would you compare the corporate ethics (ethical behaviour in interactions with public officials, politicians, and other enterprises) of firms in your country with those of other countries in the world?
Protection of minority shareholders' interests	WEF – The Global Competitiveness Report – 2009/2010	In your country, to what extent are the interests of minority shareholders protected by the legal system?
Quality of Overall Infrastructure	WEF – The Global Competitiveness Report – 2009/2010	How would you assess general infrastructure (e.g., transport, telephony, and energy) in your country

Quality of overall roads	WEF – The Global Competitiveness Report – 2009/2010	How would you assess roads in your country?
Quality of port infrastructure	WEF – The Global Competitiveness Report – 2009/2010	How would you assess port facilities in your country?
Quality of air transport infrastructure	WEF – The Global Competitiveness Report – 2009/2010	How would you assess passenger air transport infrastructure in your country?
Quality of railroad infrastructure	WEF – The Global Competitiveness Report – 2009/2010	How would you assess the railroad system in your country?
GDP per capita	IMF Database - 2009	US$ at current prices
Inflation	IMF Database - 2009	Hard data
GDP	IMF Database -2009	(percent real change pa)
Quality of management schools	WEF – The Global Competitiveness Report – 2009/2010	How would you assess the quality of management or business schools in your country?
Extent of staff training	WEF – The Global Competitiveness Report – 2009/2010	To what extent do companies in your country invest in training and employee development?
Availability of research and training services	WEF – The Global Competitiveness Report – 2009/2010	In your country, to what extent are high-quality, specialised training services available?
Flexibility of Wage Determination	WEF – The Global Competitiveness Report – 2009/2010	How are wages generally set in your country?
Pay and productivity	WEF – The Global Competitiveness Report – 2009/2010	To what extent is pay in your country related to productivity?
Brain drain	WEF – The Global Competitiveness Report – 2009/2010	Does your country retain and attract talented people?
Availability of latest technologies	WEF – The Global Competitiveness Report – 2009/2010	To what extent are the latest technologies available in your country?
Cost of Doing Business		
Business cost of terrorism	WEF – The Global Competitiveness Report – 2009/2010	Does the threat of terrorism impose costs on businesses in your country?
Business cost of crime & violence	WEF – The Global Competitiveness Report – 2009/2010	Does the incidence of crime and violence impose costs on businesses in your country?
Rent - per Sq.ft.	Colliers International - Global Office Real Estate Review 2009	What is the average prime A office space rent per sq.ft. in US$
Difficulty of hiring index	World Bank Doing Business 2010	The difficulty of hiring index measures (i) whether fixed term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker
Rigidity of hours index	World Bank Doing Business 2010	The rigidity of hours index has five components: (i) whether night work is unrestricted; (ii) whether weekend work is unrestricted; (iii) whether the workweek can consist of ٥,٥ days; (iv) whether the workweek can extend to ٥٠ hours or more (including overtime) for ٢ months a year to respond to a seasonal increase in production; and (v) whether paid annual vacation is ٢١ working days or fewer
Extent of Disclosure Index	World Bank Doing Business 2010	The extent of disclosure index has ٥ components: (i) What corporate body can provide legally sufficient approval for the transaction; (ii) Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required; (iii) Whether disclosure in the annual report is required; (iv) Whether disclosure by to the board of directors is required; (v) Whether it is required that an external body, for example, an external auditor, review the transaction before it takes place

Difficulty of firing index	WEF – The Global Competitiveness Report – 2009/2010	The difficulty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (iv) whether the employer needs approval from a third party to terminate 1 redundant worker; (v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment.
Firing costs (weeks of wages)	World Bank Doing Business 2010	This variable estimates the cost of advance notice requirements, severance payments, and penalties due when terminating a redundant worker, expressed in weekly wages
Extent of disclosure index	World Bank Doing Business 2010	The extent of disclosure index has five components: (i) What corporate body can provide legally sufficient approval for the transaction; (ii) Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required; (iii) Whether disclosure in the annual report is required; (iv) Whether disclosure by to the board of directors is required; (v) Whether it is required that an external body, for example, an external auditor, review the transaction before it takes place
Extent of Director Liability Index	World Bank Doing Business 2010	The extent of director liability index has 7 components: (i) Whether a shareholder plaintiff is able to hold a director liable for damage the Buyer-Seller transaction causes to the company; (ii) Whether a shareholder plaintiff is able to hold the approving body (the CEO or board of directors) liable for damage the transaction causes to the company; (iii) Whether a court can void the transaction upon a successful claim by a shareholder plaintiff; (iv) Whether a director pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff; (v) Whether a director repays profits made from the transaction upon a successful claim by the shareholder plaintiff; (vi) Whether fines and imprisonment can be applied against a director; (vii) Whether shareholder plaintiffs are able to sue directly or derivatively for damage the transaction causes to the company.
Tax - Payments (number)	World Bank Doing Business 2010	The tax payments indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation.
Tax - Time (hours)	World Bank Doing Business 2010	Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) 3 major types of taxes and contributions: the corporate income tax, value added or sales tax and labour taxes, including payroll taxes and social contribution.
Total tax rate (% profit)	World Bank Doing Business 2010	The total tax rate measures the amount of taxes and mandatory contributions payable by the business in the second year of operation, expressed as a share of commercial profits.
Corporate Tax Rate	WEF - The Financial Development Report – 2008	The top tax rate on corporate income
Enforcing Contracts - Procedures (number)	World Bank Doing Business 2010	Number of procedures defined as any interaction between the parties, or between them and the judge or court officer.
Enforcing Contracts - Time (days)	World Bank Doing Business 2010	Time is recorded in calendar days, counted from the moment the plaintiff files the lawsuit in court until payment.

Enforcing Contracts - Cost (% of claim)	World Bank Doing Business 2010	Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita.
Cost of starting a business (% income per capita)	WEF - The Financial Development Report – 2009	This variable measures the official fees and fees for legal or professional services if such services are required by law to start a new business.
Time required to start business (Days)	World Bank Doing Business 2010	Number of days required to start a business.
Number Of procedures to start business	World Bank Doing Business 2010	Number of procedures required to start a business.
Cost of registering property (% income per capita)	WEF - The Financial Development Report – 2009	This variable is a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded; these include fees, transfer taxes, stamp duties, and any other payment to the property registry, notaries, public agencies, or lawyers.
Cost of Living		
Most expensive cities index	UBS - Price Earnings 2009	Index of the most expensive cities in the world compiled by UBS.
Net wage level	UBS - Price Earnings 2009	Index compiled by UBS on the average net wage level in cities around the world.
Domestic purchasing power	UBS - Price Earnings 2009	Index compiled by UBS on the domestic purchasing power in cities around the world.
Telephone, monthly bill	EIU - City Data 2008	Average monthly telephone bill in US$
Electricity, monthly bill	EIU - City Data 2008	Average monthly electricity bill in US$
Gas, monthly bill	EIU - City Data 2008	Average monthly gas bill in US$
Water monthly bill	EIU - City Data 2008	Average monthly water bill in US$
Typical daily cost	EIU - City Data 2008	Typical daily cost in a business trip in US$
Hilton type hotel	EIU - City Data 2008	Average rate for one night in a Hilton type hotel in US$
Simple meal	EIU - City Data 2008	Average simple meal for one person in US$
Hire car weekly rate	EIU - City Data 2008	Average weekly rent for a compact car in US$
Taxi: airport to city centre	EIU - City Data 2008	Average rate for a taxi rode from the airport to city centre
Compact car cost	EIU - City Data 2008	Average cost of compact car in US$
Annual premium for car insurance	EIU - City Data 2008	Average annual premium for car insurance in US$
Regular unleaded petrol	EIU - City Data 2008	Average cost for 1L of unleaded petrol in US$
American/English school: kindergarten annual fees	EIU - City Data 2008	Average annual kindergarten fees in US$
American/English school: annual tuition, ages 5-12	EIU - City Data 2008	Average annual tuition fees for ages between 5-12 in US$
American/English school: annual tuition, ages 13-17	EIU - City Data 2008	Average annual tuition fees for ages between 13-17 in US$
Furnished residential apartment: 1 bedroom	EIU - City Data 2008	Average monthly rent in US$
Furnished residential apartment: 2 bedroom	EIU - City Data 2008	Average monthly rent in US$
Unfurnished residential apartment: 2 bedroom	EIU - City Data 2008	Average monthly rent in US$
Unfurnished residential apartment: 3 bedroom	EIU - City Data 2008	Average monthly rent in US$
Furnished residential house: 4 bedroom	EIU - City Data 2008	Average monthly rent in US$
Disposable income (%) on salary equivalent to $60,000 (single person)	EIU - City Data 2008	Amount of income left to an individual after taxes have been paid, available for spending represented in percentage of salary.
Disposable income (%) on salary equivalent to $60,000 (married person, 1 child)	EIU - City Data 2008	Amount of income left to an individual after taxes have been paid, available for spending represented in percentage of salary.
Disposable income (%) on a salary equivalent to $60,000 (married person, 2 children)	EIU - City Data 2008	Amount of income left to an individual after taxes have been paid, available for spending represented in percentage of salary.

NOTES

DIFC Ranking

As mentioned earlier, none of the current rankings benchmark DIFC as a separate jurisdiction. This Report studied each indicator and its background individually to provide DIFC with a ranking.

Quality of Life

The Capability Measurement did not include any indicator related to the quality of life. Traditionally, quality of life has been one of the biggest factors behind the United States and United Kingdom's ability to draw talent. Dubai has always scored highly on quality of life. The city's ability to offer world-class living conditions has made it a favourite destination for expatriates. Its strengths in this area has also given it a distinct advantage over other regional centres.

Including a quality of life indicator would have possibly strengthened the ranking of DIFC or Dubai/UAE. However, this indicator was omitted since the Report primarily focused on measuring the competitiveness of a centre based on its attractiveness as a base for financial services.

Availability of Data

In a limited number of cases, especially with regard to regional centres, data was insufficient. Similarly, data on certain indicators were not available for Doha and Luxembourg. In these cases, the scores based on data available for the other indicators has been used to extrapolate scores for Doha and Luxembourg.

DISCLAIMER

The name and logos used are the respective trademarks of the Dubai International Financial Centre and KPMG International, a Swiss cooperative. The use of the KPMG logo is not an endorsement, sponsorship or implied backing of DIFC and its products.

The rankings presented in the Report are based upon a number of estimates and assumptions that, while presented with numerical specificity and considered reasonable, are inherently subject to significant business, economic and competitive uncertainties, contingencies and subjectivity. The accuracy of the rankings are subject to differences of opinion, and no assurance can be given that the rankings are not counterfactual or will remain valid during the period subsequent to the date this Report is published. Any change to the underlying data and / or methodology may change the rankings.

The views expressed in this Report do not necessarily represent those of DIFC, KPMG or the Government of Dubai. The Report is not meant to portray any financial centre as being superior or inferior. The Report is merely to provide insights into the capability and position of DIFC as a standalone entity. This Report is published to elicit comments and to further debate.

Whilst every effort has been made to ensure the accuracy and completeness of the material in this Report, DIFC, KPMG and the Government of Dubai give no warranty in that regard and accept no liability for any loss or damage incurred by using or relying on this Report or the information contained herein. Readers of the Report are cautioned to carry out an in-depth research before placing any reliance whatsoever on the information presented in this Report. The Report does not take into account the specific purpose of any reader and is not intended to replace the need for professional advice. Before acting or relying on any information contained in the Report readers should consider whether it is appropriate for their circumstances with regard to their objectives or requirements.

December 2009
DIFC l Dubai International Financial Centre
The Gate
P.O. Box 74777, Dubai, UAE

This page is intentionally left blank

DIFC

Dubai International Financial Centre
The Gate, Level 14
P.O. Box 74777, Dubai, UAE
Tel: +971 4 362 2222
Fax: +971 4 362 2333
Web: www.difc.ae
Email: info@difc.ae

Comments, queries and suggestions can be forwarded to info@difc.ae