



I. Performance in Global Best Practice Indices

The United Arab Emirates (UAE) generally ranks in the 1st or 2nd quintile in the global indices benchmarking political, economic, business, and human capital climates, as shown below. While democratic participation is still virtually absent, reflected in the Emirates' low score in the Freedom House, its strong standing in the Capital Access, the Economic Freedom of the World, and the Global Competitiveness Indices underlines the strides made toward becoming a global hub for finance and commerce, especially by Dubai. The exception to these rankings is its place at the top of the 4th quintile in the Bertelsmann Transformation Status Index, which notes poor investment in the indigenous population and inflation risks that have accompanied rapid growth. Moreover, the Heritage Economic Freedom Index and the World Bank Doing Business Index indicate room for improvement in the areas of business regulation and overall government intervention in the economy. Corruption is perceived to be low, according to Transparency International's Corruption Perceptions Index.

Name	Year	Rank	Score	Quintile
Freedom House Index	2009	Not Free	5.5/7	N/A
Bertelsmann Transformation Status Index	2008	77/125	5.23/10	4
Heritage Foundation Economic Freedom Index	2009	54/162	64.7%	2
Economic Freedom of the World Index	2008	26/141	7.49/10	1
World Economic Forum Global Competitiveness Index	2008	31/134	4.68/7	2
Milken Institute Capital Access Index	2008	29/122	6.13/10	2
World Bank Ease of Doing Business Index	2008	46/181	N/A	2
UNDP Human Development Index	2008	31/177	0.903/1	1
Transparency International Corruptions Perception Index	2008	35/180	5.9/10	1

II. Credit Ratings

Moody's	Aa2/Stable
Fitch	Not rated
Standard & Poor's	Not rated

III. Performance in eStandardsForum's Indices

1. Business Indicator Index

Score: 9.15 out of 12 Rank: 36

With an overall score of 9.15/12, The United Arab Emirates (UAE) is progressing toward standard on the economic, legal, and political indicators that make up our Business Index. The UAE is a market-based, private sector driven economy, in which total government expenditure, including consumption and transfer payments, is moderate. The UAE government welcomes foreign investment and provides tax incentives and low tax rates to investors. However, foreign investment is subject to a number of restrictions. Laws exist to protect property rights, but the judiciary is strongly influenced by the UAE's ruling families. Corruption is of no concern, as reflected by the UAE's ranking of 34th out of 180 countries in Transparency International's 2007 Corruption Perceptions Index.

2. Standards Compliance Index

Score: 20.83 out of 100 Rank: 69

United Arab Emirates achieves low overall compliance with international standards and codes, with a score of 20.83 out of 100 in our Standards Compliance Index. United Arab Emirates is not compliant with two of the three macroeconomic fundamentals standards, though they have recently adopted the IMF's less stringent General Data Dissemination System. Its compliance in the areas of market infrastructure and financial supervision is also poor. The sole exception is banking supervision, where it is largely compliant with the Core Principles for Effective Banking Supervision. Half of the standards in the market infrastructure category have no publicly available assessments, seriously hampering any attempt to ascribe compliance levels to its practices. Overall, there are five standards at the "no compliance" level. However, UAE has expressed its intention to adopt international best practice standards for Corporate Governance and Securities Market Regulation.

3. Detailed Summary of Observance of Standards & Codes:

Macroeconomic Policy and Data Transparency						
	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Data					X	
Monetary			X			
Fiscal					X	

Institutional and Market Infrastructure						
	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Accounting					X	
Auditing					X	
Corp. Governance				X		
Insolvency						X
Payment System						X
Money Laundering						X

Financial Regulation and Supervision						
	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Banking		X				
Securities				X		
Insurance					X	

Macroeconomic Policy and Data Transparency

Special Data Dissemination Standard

NO COMPLIANCE

The United Arab Emirates (UAE) does not subscribe to the International Monetary Fund's (IMF) Special Data Dissemination Standard, but does participate in the IMF's less stringent General Data Dissemination System (GDDS). The UAE became a participant to the GDDS on July 31, 2008. At the time of publication of the 2007 IMF Article IV Consultation, UAE had not yet become a participant of the GDDS. However, the report noted that the authorities continued to stress their strong desire to improve the UAE's statistical framework and expressed their intent to expedite the process toward participating in the GDDS. To this end, a National Bureau of Statistics was to be established by end-2007. Nonetheless, as of June 2008, there is little information publicly available regarding the establishment of such an institute.

Code of Good Practices on Transparency in Monetary Policy

ENACTED

According to the 2003 IMF Report on the Observance of Standards and Codes (ROSC), the UAE observes most good transparency practices regarding monetary policy. This evaluation is reaffirmed by the IMF's 2006 and 2007 Article IV Consultations with the UAE, and by statements by the Central Bank of the United Arab Emirates (CBU). The CBU is independent by virtue of the 1980 Union Law Concerning the Central Bank, the Monetary System, and Organization of Banking, which specifies the CBU's objectives and duties as overseer of the day-to-day handling of monetary policy. The roles, responsibilities, and objectives of the central bank are clearly and comprehensively posted on the CBU website. Also, the UAE observes most good transparency practices regarding the reporting of monetary policy decisions. The CBU informs the public immediately after decisions have been made regarding changes in monetary policy instruments, and the rationale behind such changes is publicized accordingly. Nevertheless, the ROSC points out that the UAE still has to address some important weaknesses. For example, there is a lack of detail in reporting monetary operations, the balance sheet, and macroeconomic developments. Also, there is a lack of detail in the descriptions and explanations of the monetary policy framework, and in disclosing the relationship between the CBU and the government. Perhaps most importantly, the UAE does not subscribe to the SDDS or the GDDS regarding the coverage, periodicity, and timeliness of monetary data.

Code of Good Practices on Transparency in Fiscal Policy

NO COMPLIANCE

The IMF's 2004, 2006, and 2007 Article IV Consultations with the UAE noted that the current lack of fiscal policy coordination among the Emirates and the UAE federal government, and overall weaknesses in fiscal data, have continued to impede the timely and accurate assessment of fiscal developments. Without uniformity in the classification of expenditures and revenues among the seven Emirates and the federal government, with the lack of data on the government's investment income, and with considerable off-budget spending, a comprehensive analysis of fiscal developments and the timely dissemination of such information to the public is difficult. To fix this, the IMF Consultations primarily recommended that the UAE advance fiscal policy coordination. In fact, this process is already underway. In 2007, the UAE launched a single national treasury account to facilitate fiscal coordination. Also, to enhance the coverage, consistency, periodicity, and timeliness of fiscal data, the UAE is working on finalizing their participation in the General Data Dissemination System.

Institutional and market infrastructure

Effective Insolvency and Creditor Rights Systems

INSUFFICIENT INFORMATION

The 2008 U.S. Department of Commerce report indicates that bankruptcy issues in the UAE are governed by the Federal Commercial Code (Law No. 18, promulgated in 1993). Although this law defines the procedures and effects of bankruptcy in the UAE, the Department of Commerce notes Western legal experts' opinions that the chapter does not offer an apparatus to properly evaluate and distribute the assets of a bankrupt company. In 2004, the Dubai International Financial Center (DIFC) Insolvency Law, which applies in the jurisdiction of the DIFC, was issued. The DIFC was established in 2004 as an onshore capital market designated as a financial free zone. However, no further information is publicly available upon which to base an assessment as to the UAE's overall level of compliance with Principles and Guidelines for Effective Insolvency and Creditor Rights Systems developed by the World Bank.

International Financial Reporting Standards

NO COMPLIANCE

According to the IMF's 2007 Financial System Stability Assessment (FSSA), the UAE does not have an accounting law, nor does it legally mandate accounting standards. The Companies Law sets forth that accounting principles and practices should be in line with the generally accepted practice and principles of accounting, but it does not define the standards. Companies listed on the Abu Dhabi Securities Exchange are required to apply International Financial Reporting Standards (IFRSs), but there is no specific guidance as far as their application is concerned. The rules of the Dubai Financial Market do not specify any accounting standards. Pursuant to Central Bank Circular No 20/99, banks, financial institutions, and investment companies in the UAE are required to prepare their financial statements in accordance with IFRSs with effect from January 1, 1999. The IMF recommended that the UAE enact an accounting law that would adopt IFRSs for public companies and introduce national accounting standards for other companies. The 2007 IMF "Detailed Assessment" indicates that the UAE and the DIFC do not have an accounting standard setting body. As of 2006, the DIFC legal framework required banks and companies listed on the Dubai International Foreign Exchange to apply IFRSs. The 2006 "Doing Business Guide" by PricewaterhouseCoopers states that, within the jurisdiction of the DIFC, accounts of limited liability companies and limited liability partnerships should be prepared in accordance with accounting principles or standards approved by the Registrar of Companies, which typically comply with IFRSs. With respect to general partnerships, however, the law does not stipulate any statutory financial, accounting, or audit requirements.

Principles of Corporate Governance

INTENT DECLARED

The United Arab Emirates Code of Corporate Governance for listed companies was promulgated in May 2007 by the Emirates Securities and Commodities Authority. According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, the Abu Dhabi Securities Market (recently renamed to Abu Dhabi Securities Exchange), the Dubai Financial Market, and the UAE Ministry of Economy have also produced and circulated draft corporate governance guidelines and regulations. The Hawkamah Corporate Governance Institute was also established in the DIFC in 2006 to promote corporate governance codes and guidelines in the UAE and throughout the region. Noting that the UAE capital markets are gaining in depth and sophistication, the International Monetary Fund's 2007 FSSA encourages the authorities to allow foreign investors to fully access the securities markets by removing restrictions on stock ownership and board membership. It added that the authorities should foster the public listing of large, quasi-public companies on the stock exchanges to help develop the market. A new Companies and Commercial Activities Law is expected to be introduced at the end of 2008, allowing 100 percent foreign ownership of companies in some sectors outside the free trade zones.

International Standards on Auditing

NO COMPLIANCE

According to a 2007 IMF report, the United Arab Emirates has no statutory requirements on auditing, no auditing standards, and no auditing oversight body. Firms registered in the DIFC are subject to international accounting and auditing standards. The IMF reports that the Dubai Financial Services Authority (DFSA) requires financial statements to be audited by a professional auditor, using standards of the International Auditing and Assurance Standards Board, the Accounting and Auditing Organization for Islamic Financial Institutions, or other audit standards recognized by the DFSA. The DFSA is the sole independent regulator of the DIFC. The 2006 PricewaterhouseCoopers "Doing Business

Guide" indicates that the Companies Law governs accounting and auditing requirements for DIFC incorporated entities. Within the jurisdiction of the DFIC, limited liability companies must appoint an independent auditor or auditors, whereas limited liability partnerships are required to appoint an auditing firm that is registered with the DIFC through the DFSA. The accounts and auditors' report must be filed with the Registrar of Companies.

Anti-Money Laundering/Combating Terrorist Financing Standard

INSUFFICIENT INFORMATION

As of June 2008, there is no comprehensive assessment publicly available on the UAE's compliance with the Financial Action Task Force's (FATF) forty plus nine recommendations and special recommendations. Nevertheless, according to a 2003 report by the IMF, the Anti-Terrorism Law fully incorporated the FATF's 40 Recommendations and its 8 Special Recommendations dealing with terrorist financing. However, the report based its findings on the 2002 FATF methodology rather than the latest (2004) methodology, and therefore cannot be used as an accurate measurement of the UAE's compliance with the FATF's requirements. In a 2005 Article IV Consultation report, the IMF observed that the authorities in the UAE had taken major steps toward implementing a strong legal framework to prevent money laundering and terrorism financing activities. In a subsequent (2007) report, the IMF notes that it had undertaken an assessment of the UAE's anti-money laundering (AML) and combating the financing of terrorism (CFT) regime in 2007. The assessment had been expected to be published by the IMF following its adoption by the Middle East and North Africa Financial Action Task Force and FATF Plenaries in November 2007 and February 2008, respectively. According to the IMF report, the preliminary conclusion of this 2007 assessment is that, although the basic framework is in place, the UAE's legal framework for AML/CFT needs further strengthening in some areas.

Core Principles for Systemically Important Payment Systems

INSUFFICIENT INFORMATION

In 2003, the IMF conducted a FSSA of the systemically important payment systems operating in the UAE at the time. This was the Testkey Telex Transfer System (TTTS) and the Check Clearing System (CCS). The assessment concluded that these systems were near or up to international standards; that the CBU payment procedures and systems were sufficient, practical, and efficient; and that they appeared adequate to meet UAE banking needs. However, subsequent to the 2003 FSSA, the UAE established a new automated real time gross settlement (RTGS) inter-bank payment system that entirely replaced the previous TTTS. There is little information publicly available addressing this new system's compliance with the Committee on Payment and Settlement Systems' Core Principles for Systemically Important Payment Systems. In 2003, the FSSA made the following recommendations: improving the CBU's overdraft procedures; increasing automation and computerization of UAE's payment systems; moving from next day settlement to settlement on the same day; and increasing the capacity and risk protection of the existing systems. The UAE authorities agreed with these recommendations and, per a 2006 IMF report, have recently taken measures to implement these recommendations. For example, automation and computerization have been expanded since the implementation of the RTGS system.

Financial Regulation and Supervision

Core Principles for Effective Banking Supervision

COMPLIANCE IN PROGRESS

At the time of the IMF's 2003 FSSA, the UAE was already fully or largely compliant with the Basel Core Principles (BCPs) for Effective Banking Supervision. Shortcomings were identified with regards to enforcement powers of the Central Bank of the UAE (CBU), the legal protection of supervisors, oversight of financial institutions, and formal cooperation and exchange of information, but the systemic threats from these shortcomings were deemed minor. In 2007, the IMF completed an update of the 2003 FSSA. The 2007 IMF report benchmarks the UAE's banking supervisory practices with the new 2006 BCPs and Methodology. Although the UAE shows a high degree of compliance with the 2006 BCPs, a number of the weaknesses and challenges identified in the 2003 assessment remain to be addressed. The bank ownership structure reflects the prevalent role of the state and of government related entities, complemented by an active private sector. Pursuant to the Banking Law of 1980, the CBU was established as the banking supervisory authority. Since 2004, as stated in the IMF's 2007 report, the CBU has been intensively preparing for the implementation of Basel II.

Objectives and Principles of Securities Regulation

INTENT DECLARED

The securities markets in the UAE consist of three exchanges: the Dubai Financial Market, the Dubai Gold and Commodities Exchange, and the Abu Dhabi Securities Market, recently renamed the Abu Dhabi Securities Exchange. The exchanges act as de facto self-regulatory organizations under the authority of the Emirates Securities and Commodities Authority (ESCA), which was established in 2000 as the regulator for the securities markets under the ESCA Law. At the time of the IMF's 2003 FSSA, the securities markets in the UAE were "relatively small, underdeveloped, and not systemically important." In 2007, the IMF completed an update of the 2003 report, which assessed the UAE's implementation of the International Organization of Securities Commission's Objectives and Principles of Securities Regulation. The report found that the UAE generally has the preconditions for effective regulation. However, significant shortcomings remain with regard to accounting laws; the judiciary system; the regulation of investment funds and investment advisors; shareholder protection; and the responsibilities, powers, and independence of the ESCA. A new draft securities law has been issued by the authorities for comment. The Dubai International Financial Exchange was created within the DIFC in 2005. In its 2007 FSSA, the IMF states that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

Insurance Core Principles

NO COMPLIANCE

A full assessment of the UAE observance of the Insurance Core Principles promulgated by the International Association of Insurance Supervisors was not conducted as part of the IMF's 2003 FSSA. This was justified by the lack of systemic significance of the insurance sector in the UAE and its early stage of development. According to the IMF's 2003 FSSA, insurance supervision in the UAE was seriously hampered by organizational problems and a shortage of experienced and qualified staff. In this context, the IMF recommended increasing the staff of the Insurance Division of the Ministry of Economy (MoE), appointing an Insurance Commissioner, and conducting a full review of the insurance law and regulations in line with international best practices. The MoE is entrusted under the Federal Law No. 9 on Insurance Companies and Agents of 1984 with the supervision and regulation of insurance companies and intermediaries. In 2007, the IMF completed an update of the 2003 assessment, in which it reiterated that the UAE insurance sector remained small and not systematically important, despite rapid growth. The IMF recommended that the authorities establish a more independent insurance supervisory agency, possibly within the Central Bank of the UAE. Moreover, the IMF found that supervision focused on regulation and compliance rather than on risk, and suggested that oversight of risk management be improved. On February 28, 2007, the New Insurance Law No. 6 was promulgated to establish a more

independent Insurance Commission. The Law was expected to enter into force on August 31, 2007, but there is insufficient information so far regarding its implementation.

IV. Macroeconomic Data

2008 GDP (Current Prices): 260.141 billion USD (IMF)

2008 GDP (Per Capita): 54,607 USD (IMF)

2009 GDP (Growth Forecast): -0.6% (IMF)

2009 Inflation (CPI): 2% (IMF)

2008 Unemployment: 2.4% (CIA)

2007 Foreign Direct Investment

FDI (Inward): 13.253 billion USD (UNCTAD)

FDI (Outward): 6.625 billion USD (UNCTAD)

2007 Official Development Assistance

ODA (Received): N/A million USD (OECD)

ODA (Disbursed): N/A million USD (OECD)

Methodology Note

eStandardsForum's Best Practice Assessment (BPA) provides a comprehensive overview of a country's position with respect to leading global indicators addressing its political, economic, business, and social climate. It also provides a summary of developments in a country's compliance with international standards and codes, as well as that country's economic and legal framework. Accordingly, a BPA consists of the following sections:

I. Performance in Global Indices

In this section, the rank and score of a country in nine distinct global indices is summarized. The country's relative position in these indices is made more comparable by calculating the quintile corresponding to the country's rank. In addition, a short summary interpreting the country's performance in the nine indices is provided. The following nine indices are used:

The *Freedom in the World Survey* is published annually by Freedom House and contains reports on 193 countries and 14 related and disputed territories. The political rights and civil liberties categories contain numerical ratings between 1 and 7 for each country or territory, with 1 representing the most free and 7 the least free. The status designation of "Free", "Partly Free", or "Not Free", which is determined by the combination of the political rights and civil liberties ratings, indicates the general state of freedom in a country or territory.

<http://www.freedomhouse.org>

The *Bertelsmann Transformation Status Index* shows the development achieved by 119 states on their way toward democracy and a market economy. States with functioning democratic and market-based structures receive the highest scores. The Status Index's overall result represents the mean value of the scores for the dimensions Political Transformation and Economic Transformation. The rating is based on a system of points ranging from 1 (worst score) to 10 (best score).

<http://www.bertelsmann-transformation-index.de/16.0.html?&L=1>

The *Heritage Foundation Economic Freedom Index* measures 162 countries against a list of 50 independent variables divided into 10 broad factors of economic freedom. For each factor, a country receives a 0 to 100 percentage score, indicating the degree of economic freedom in the country.

<http://www.heritage.org/research/features/index/index.cfm>

The *Economic Freedom of the World Index*, published by the Fraser Institute, covers five broad areas: size of government; legal structure and security of property rights; access to sound money; freedom to trade internationally; regulation of credit, labor, and business. Each component and sub-component is placed on a scale from 0 to 10 that reflects the distribution of the underlying data. A higher value signifies greater economic freedom.

<http://www.freetheworld.com/index.html>

The *World Economic Forum Global Competitiveness Index* provides an overview of factors that are critical to driving productivity and competitiveness. These factors are grouped into nine distinct but interconnected pillars: (1) Institutions, (2) Infrastructure, (3) Macro economy, (4) Health and primary education, (5) Higher education and training, (6) Market efficiency, (7) Technological readiness, (8) Business sophistication, and (9) Innovation. The Index is calculated from a mixture of survey and hard data, and the data for each pillar is converted into a scale from 1 to 7. A higher value indicates greater competitiveness.

<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

The *Milken Institute Capital Access Index* scores the ability of entrepreneurs to gain access to financial capital in 122 countries around the world. The Index is intended to measure not only the breadth, depth, and vitality of capital markets, but also openness in providing access without discrimination, a measure of global progress in the democratization of capital. The Index has 7 subcomponents with a score assigned from 1 to 10 for countries ranking lowest to highest in terms of capital access. The Capital Access Index is then calculated using the weighted average of the seven subcategories.

<http://www.milkeninstitute.org/research/research.taf?cat=indexes>

The *World Bank's Ease of Doing Business Index* provides measures of business regulations and their enforcement. The Doing Business indicators are designed to indicate the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity, and growth. The Index then ranks economies from 1 to 175. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered.

<http://www.doingbusiness.org/>

The *Human Development Index (HDI)* is a comparative measure of life expectancy, literacy, education, and standard of living for 177 UN member states. The index has been used since 1993 by the United Nations Development Program in its annual Human Development Report. The HDI measures the average achievements in a country in three basic dimensions (life expectancy, literacy and standard of living) of human development. These measures are then converted into a 0 to 1 scale and each of the 177 UN member states are ranked accordingly each year.

<http://hdr.undp.org/>

The *Transparency International Corruption Perception Index (CPI)* ranks 163 countries in terms of the degree to which corruption is perceived to exist. The CPI Score relates to these perceptions of the degree of corruption as seen by business people and country analysts from around the world, including experts who are citizens in the countries evaluated. The score ranges between 10 (highly clean) and 0 (highly corrupt).

<http://www.transparency.org/>

II. Credit Ratings:

Long-term foreign currency ratings and outlooks, indicating the likelihood of a sovereign default of the country, are provided as of the last date of upgrade or downgrade by the three leading credit rating agencies.

III. Performance in eStandardsForum's Indices

eStandardsForum compiles country profiles and computes two indices for 81 countries.

1. Business Indicator Index

The Business Indicator Index measures a country's attractiveness to foreign investment by analyzing various economic, legal, and political indicators. Countries are ranked from 1 to 81 according to a score ranging from 0 (least attractive) to 12 (most attractive). The overall score also determines whether a country is:

At Standard	9 to 12
Progressing toward standard	6 to 9
Below standard	0 to 6

2. Standards Compliance Index

The Standards Compliance Index measures a country's level of compliance with the 12 international standards and codes. Compliance with each of the 12 standards is measured on a scale of six levels of compliance and then converted into a numerical score. The Index ranks countries from 1 (most compliant) to 81 (least compliant) and provides a score from 0 (worst performance) to 100 (best performance). Overall compliance is determined as follows:

very high	80 to 100
high	60 to 80
medium	40 to 60
low	20 to 40
very low	0 to 20

The chart provided with the summary of a country's performance against the Standards Compliance Index provides the exact levels of compliance with the 12 international standards and codes. The descending order of compliance is as follows: *Full Compliance, Compliance in Progress, Enacted, Intent Declared, No Compliance, and Insufficient Information*. Their definition is as follows:

FULL COMPLIANCE: There is publicly available information indicating that the country has incorporated the principles of the relevant standard into laws or regulations, and that these principles are currently being applied and followed in an effective, consistent, and transparent manner.

COMPLIANCE IN PROGRESS: There is publicly available information indicating that the country has incorporated the principles of the relevant standard into laws or regulations and that there has been significant progress made towards the effective enforcement of the laws or regulations by regulators and supervisors, albeit with minor shortcomings.

INTENT DECLARED: The country has made a formal, public, and authoritative declaration that it will incorporate the principles of the relevant standard into laws or regulations and will adhere to the standard.

INSUFFICIENT INFORMATION: There is not enough information publicly available to make an assessment as to the country's level of compliance with the relevant standard.

This section provides the executive summaries of eStandardsForum's country compliance reports against the 12 Key international standards and codes. The full assessments are available on the eStandardsForum website.

The three standards grouped under *Data and Macroeconomic Policy Transparency* are the IMF's Special (or General) Data Dissemination Standard, the Code of Good Practices in Monetary and Financial Policies, and the Code of Good Practices on Fiscal Transparency.

The six standards grouped under *Institutional and Market Infrastructure* are the World Bank's Principles and Guidelines for Effective Insolvency and Creditor Rights Systems, the International Accounting Standard Board's International Accounting Standards, the OECD's Principles of Corporate Governance, the International Federation of Accountants' International Standards on Auditing, the Financial Action Taskforce's Recommendations on Money Laundering, and the Bank for International Settlements' Core Principles for Systemically Important Payment Systems.

The three standards grouped under the *Financial Regulation and Supervision* sub-section are the Basel Committee's Core Principles for Effective Banking Supervision, the International Organization of Securities Commissions' Principles of Effective Securities Regulation, and the International Association of Insurance Supervisors' Insurance Core Principles.

IV. Macroeconomic data:

This section provides the latest GDP and GDP per capita figures, projected GDP growth, and inflation as provided by the latest available *IMF World Economic Outlook*, unemployment figures by the *CIA World Factbook*; the latest inward and outward foreign investment figures as reported in UNCTAD's annual *World Investment Report*; and the most recent figure for official development assistance (ODA) received or disbursed, as reported by the OECD.



Summary

Score = 9.15 out of 12 Rank = 36

With an overall score of 9.15/12, The United Arab Emirates (UAE) is progressing toward standard on the economic, legal, and political indicators that make up our Business Index. The UAE is a market-based, private sector driven economy, in which total government expenditure, including consumption and transfer payments, is moderate. The UAE government welcomes foreign investment and provides tax incentives and low tax rates to investors. However, foreign investment is subject to a number of restrictions. Laws exist to protect property rights, but the judiciary is strongly influenced by the UAE's ruling families. Corruption is of no concern, as reflected by the UAE's ranking of 34th out of 180 countries in Transparency International's 2007 Corruption Perceptions Index.

Economic Model

[Market-based private sector driven capitalism]

The 2007 Economic Freedom of the World Annual Report by Gwartney et al. calculates a score of 6 (out of 10, with a higher value signifying greater economic freedom) for the factor "Government Enterprises and Investment" as a percentage of total investment for the United Arab Emirates (UAE). This rating is as a result of government investment, which was between 25% and 30% of total investment. However, the 2008 Heritage Foundation Index of Economic Freedom indicates that total government expenditures, including consumption and transfer payments, are moderate. Government spending was 25.7% of GDP in the most recent year for which data were available, and the state continues to be an important player in the economy through regulation and state-owned enterprises. The IMF indicates in its 2007 Article IV Consultation that the country's economy continues to grow swiftly with non- hydrocarbon GDP growth increasing impressively over the last few years. The UAE's economy is forecast to remain strong and growing (8% in 2007) as a result of the upward trend in oil prices. As a member of the Gulf Cooperation Council (GCC) the UAE is poised to join a monetary union in 2010.

Sources:

Gwartney, J., et al., "Economic Freedom of the World - 2007 Annual Report," September 2007. Available from Frazer Institute website. Accessed on June 2, 2008. (Gwartney et al. 2007)

<http://www.freetheworld.com/2007/3EFW2007ch3.pdf>

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

International Monetary Fund, "United Arab Emirates: 2007 Article IV Consultation--Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the United Arab Emirates," Country Report No. 07/347, Washington, D.C.: IMF, October 2007. Available from International Monetary

Fund website. Accessed on June 2, 2008. (IMF 2007)

<http://www.imf.org/external/pubs/ft/scr/2007/cr07347.pdf>

Forex Regulations

Capital Controls

[No]

The 2007 Economic Freedom of the World Annual Report by J. Gwartney et al. calculates a score of 6.4 for the UAE for the factor "International Capital Markets Controls" which is above the worldwide median of 4.9. A higher value signifies fewer restrictions on capital markets. The 2008 Heritage Foundation Index of Economic Freedom reports that controls or requirements on current transfers are non-existent. Furthermore, the U.S. Department of Commerce indicates in its 2008 report that the UAE guarantees 100% repatriation of profits and capital.

Sources:

Gwartney, J., et al., "Economic Freedom of the World - 2007 Annual Report," September 2007. Available from Frazer Institute website. Accessed on June 2, 2008. (Gwartney et al. 2007)

<http://www.freetheworld.com/2007/3EFW2007ch3.pdf>

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Exchange Controls

[No]

The 2007 Economic Freedom of the World Annual Report by J. Gwartney et al. assigns a score of 10 for the factor "Freedom to own foreign currency" to the UAE, which implies that foreign currency accounts are permissible domestically and abroad. According to the Heritage Foundation's 2008 Index of Economic Freedom, no limitations or requirements exist on current transfers or access to foreign exchange.

Sources:

Gwartney, J., et al., "Economic Freedom of the World - 2007 Annual Report," September 2007. Available from Frazer Institute website. Accessed on June 2, 2008. (Gwartney et al. 2007)

<http://www.freetheworld.com/2007/3EFW2007ch3.pdf>

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

Foreign Investment Law

[No]

The Heritage Foundation's 2008 Index of Economic Freedom calculates a score of 30 percent for the factor "Investment Freedom" for the UAE. The U.S. Department of Commerce notes in its 2008 report that the country's investment laws

and regulations are still at an infant stage and various sources indicate that the current legal framework favors national over foreign investors.

Sources:

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Trade Regulation

Import Controls

[No]

The 2007 Economic Freedom of the World Annual Report by J. Gwartney et al. calculates a score of 7.6 for the factor "Regulatory Trade Barriers" for the UAE. This is higher than the worldwide median of 5.5. A higher value signifies fewer restrictions on imports. According to the 2008 U.S. Department of Commerce report, as of January 1, 2003, the UAE became compliant with the GCC Customs Union which imposes a five percent duty on goods that enter any member state, regardless of the country of destination within the GCC.

Sources:

Gwartney, J., et al., "Economic Freedom of the World - 2007 Annual Report," September 2007. Available from Frazer Institute website. Accessed on June 2, 2008. (Gwartney et al. 2007)

<http://www.freetheworld.com/2007/3EFW2007ch3.pdf>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Protective Tariffs

[Yes]

According to the 2008 U.S. Department of Commerce report, the UAE maintains a free trading system. However, all GCC members agreed in 2003 to harmonize their import duties to five percent. The Heritage Foundation's 2008 Index of Economic Freedom indicates that the UAE's weighted average tariff rate in 2005 was 4.8 percent. Further, the same source asserts that there are import restrictions, non-transparent procedures, and inconsistent government procurement that add to the cost of trade.

Sources:

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008.

(U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Export Incentives

[No]

Although the U.S. Department of Commerce's 2008 report lists various incentives that UAE offers, it does not, nor do other sources used in this report, mention any export incentives.

Sources:

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008.

(U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Export Disincentives

[No]

The sources used in this report do not specify any export disincentives.

Sources:

Tax Regime

[Yes]

According to the IMF's 2007 Article IV Consultation, the UAE provides a favorable business climate as evidenced by its tax regime. In its 2008 report, the U.S. Department of Commerce indicates that the country has "no corporate taxes (with the exception of banks and foreign oil companies that have concessions in UAE oilfields), no income taxes, and a relatively low import duty of five percent" (p. 2).

Sources:

International Monetary Fund, "United Arab Emirates: 2007 Article IV Consultation--Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the United Arab Emirates," Country Report No. 07/347, Washington, D.C.: IMF, October 2007. Available from International Monetary Fund website. Accessed on June 2, 2008. (IMF 2007)

<http://www.imf.org/external/pubs/ft/scr/2007/cr07347.pdf>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008.

(U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Tax Rates

[Low, competitive]

The Heritage Foundation's 2008 Index of Economic Freedom calculates a score of 99.9 percent for the factor "Fiscal Freedom" for the UAE. According to various sources, the UAE does not impose income or corporate taxes. However, taxes are collected from foreign oil companies and foreign banks, at a rate of 55% and 20%, respectively. The Heritage Foundation notes that the UAE does not charge value-added tax or general sales tax. In the most recent year where data is available, overall tax revenue as a percentage of GDP was 2.1%.

Sources:

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Bankruptcy Indicators**Bankruptcy Courts**

[Established]

Per the U.S. Department of Commerce's 2008 report, commercial disputes in the UAE are generally resolved by arbitration, the parties themselves, or by recourse to the legal system. Commercial disputes involving foreign parties are brought before the federal civil courts where a panel of three judges ordinarily hears commercial disputes. Specific cases regarding banks and financial institutions must be heard by civil courts. Within each emirate, the procedures differ. For instance, some emirates like Abu Dhabi and Dubai have commercial disputes brought before a conciliation department established under their chambers of commerce. The UAE courts enforce judgments of foreign courts as long as there is reciprocity based on bilateral or international treaties.

Sources:

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Bankruptcy Law

[Established]

According to the 2008 U.S. Department of Commerce report, the first comprehensive legislation in the UAE on the subject of bankruptcy law was provided in a chapter of the 1993 federal commercial code. Western legal experts, according to the same report, claim that the chapter does not offer an apparatus whereby assets of a bankrupt company are properly evaluated or distributed. The chapter, however, does provide the legal backbone to rule the procedures and effects of bankruptcy in the UAE. Bertelsmann Stiftung's 2007 report indicates that Abu Dhabi uses Shari'ah law to resolve commercial disputes.

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007)

http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Property Rights / Contract Law

[Established]

The Heritage Foundation's 2008 Index of Economic Freedom reports that the country's ruling families have significant power over the judicial system. Incompetence and corruption allegations often remain unchallenged. Land in some of the emirates like Abu Dhabi (the largest of the seven emirates) is fully government-owned, whereas in others, like Dubai, mortgages have been introduced for selective five-star property developments. Regarding the protection of intellectual property rights, the UAE is the leader in the Persian Gulf region and a signatory to the Agreement on Trade-Related Aspects of Intellectual Property.

Sources:

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)

<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

International Dispute Settlement

[Credible History]

According to the International Center for Settlement of Investment Disputes' (ICSID) 2007 "List of Contracting States," the UAE signed and ratified the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States on December 23, 1981 and entered into force on January 22, 1982. The ICSID web pages for pending and concluded cases disclose that, as of 2008, there are no pending cases and there are two concluded cases (Case No. ARB/02/7 and Case No. ARB/01/1) and no pending case listed on the International Center for Settlement of Investment Disputes Pending and Concluding cases website. The United Nations Commission for International Trade Law's 2007 "Status" paged notes that the UAE is a member of the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards also known as the New York Convention. The Convention entered into force on November 19, 2006.

Sources:

International Center for Settlement of Investment Disputes, "List of Contracting States and other Signatories of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States," November 2007. Available from World Bank website. Accessed on June 2, 2008. (ICSID 2007)

<http://icsid.worldbank.org/ICSID/FrontServlet?requestType=ICSIDDocRH&actionVal=ContractingStates&ReqFrom=Main>

International Center for Settlement of Investment Disputes, "List of Pending Cases," January 2008. Available from World Bank website. Accessed on June 2, 2008. (ICSID 2008a)

<http://icsid.worldbank.org/ICSID/FrontServlet?requestType=GenCaseDtIsRH&actionVal=ListPending>

International Center for Settlement of Investment Disputes, "List of Concluded Cases," January 2008. Available from World Bank website. Accessed on June 2, 2008. (ICSID 2008b)

<http://icsid.worldbank.org/ICSID/FrontServlet?requestType=GenCaseDtIsRH&actionVal=ListConcluded>

United Nations Commission on International Trade Law, "Status 1958 - Convention on the Recognition and Enforcement of Foreign Arbitral Awards" 2007. Available from United Nations Commission on International Trade Law website. Accessed on June 2, 2008. (UNCITRAL 2007)

http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html

Political Environment

Commitment to growth/globalism by ruling authority

[Positive]

The UAE has been a federation of seven emirates since December 2, 1971. Each emirate is ruled by a family and the president of the country is the ruler of Abu Dhabi due to the emirate's size and wealth. The highest executive and legislative authority is the Supreme Council with its members being the rulers of each of the seven emirates. The 2007 Bertelsmann Stiftung BTI report identifies the UAE as an "authoritarian state." The first votes for the country's legislature were cast in 2006. Half of the seats of parliament are eligible for elections, while the remaining half is appointed by the rulers of the different emirates. The U.S. Department of Commerce notes in 2008 that the UAE is a member of the World Trade Organization and a signatory to the General Agreement on Tariffs and Trade, the General Agreement on Trade in Service, and the Agreement on Trade-Related Aspects of Intellectual Property. The country heavily invests abroad. Using Morgan Stanley's data, Teslik reports in 2008 that the UAE has the largest sovereign wealth funds, Abu Dhabi Investment Authority, which controls US\$875 billion in assets. A substantial part of these assets are in international markets, mainly the U.S., Europe and Asia.

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007) http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

Teslik, L., "Sovereign Wealth Funds," January 2008. Available from Council on Foreign Relations website. Accessed on June 24, 2008. (Teslik 2008) <http://www.cfr.org/publication/15251>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008) http://www.buyusainfo.net/docs/x_216958.pdf

Attitude toward utilization of global resources to promote domestic growth

[Positive]

The 2007 Bertelsmann Stiftung report States that the UAE is recognized for its stability and economic openness in a region where adoption of the democratic process has proceeded at a slow pace. Furthermore, the IMF, in its 2007 Article IV Consultation, indicates that investment continues to grow in the UAE along with an increase in job creation. The country has a large expatriate force that provides labor to various sectors, including the financial and construction industries.

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007) http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

International Monetary Fund, "United Arab Emirates: 2007 Article IV Consultation - Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the United Arab Emirates," Country Report No. 07/347, Washington, D.C.: IMF, October 2007. Available from International Monetary Fund website. Accessed on June 2, 2008. (IMF 2007)

<http://www.imf.org/external/pubs/ft/scr/2007/cr07347.pdf>

Commitment to growth/globalism by political opposition

[Neutral]

Political parties are not allowed in the UAE, according to the 2007 Bertelsmann Stiftung BTI report.

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007) http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

Political Stability

[Yes, for foreseeable future]

The UAE receives a score of +0.68 for the factor "Political Stability" in the World Bank's Governance Indicators compiled by Kaufmann, Kraay, and Mastruzzi in 2007. The governance estimates are normally distributed with a mean of zero, a higher score signifies a less violent and politically more stable society. There is a consensus that the country is politically stable; this, in part, has led many foreigners to use one of the emirates as their business' hub in the region. According to the Bertelsmann Stiftung BTI report, the UAE is a federation with seven emirates. Each emirate is ruled by a dynastic family and the president of the federation is the ruler of Abu Dhabi, due to the emirate's size, wealth, and abundance of natural resources, mainly oil. The highest executive and legislative authority is the Supreme Council, with its members comprising the rulers of each of the seven emirates. The BTI report identifies the UAE as an "authoritarian state".

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007) http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

Kaufmann, A. Kraay, and M. Mastruzzi, "Governance Matters VI: Governance Indicators for 1996-2006," Washington D.C.: World Bank, July 2007. Available from World Bank website. Accessed on June 3, 2008. http://info.worldbank.org/governance/wgi2007/sc_chart.asp

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)

http://www.buyusainfo.net/docs/x_216958.pdf

Corruption

[No Concern]

The UAE ranks 34th out of 180 countries in Transparency International's 2007 Corruption Perception Index receiving a score of 5.7/10, with higher scores indicating less corruption. According to the 2008 U.S. Department of Commerce (DoC) report, there is no indication that corruption is widespread in the country, however the 2007 Bertelsmann Stiftung BTI report indicates that it, in fact, poses a problem at all institutional levels. The DoC adds that some customs officials were tried and sentenced to prison in 2001 on corruption charges, but one of them was later pardoned by the Dubai government. In its 2008 Index of Economic Freedom, the Heritage Foundation notes that the country's ruling families have significant power over the judicial system.

Sources:

Bertelsmann Stiftung, "BTI 2008 -- United Arab Emirates Country Report," Gtersloh: Bertelsmann Stiftung, 2007. Available from Bertelsmann Transformation Index website. Accessed on June 3, 2008. (Bertelsmann Stiftung 2007)
http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Gutachten_BTI_2008/MENA/UnitedArabEmirates.pdf

Heritage Foundation, "2008 Index of Economic Freedom," 2008. Available from Heritage Foundation website. Accessed on June 2, 2008. (Heritage Foundation 2008)
<http://www.heritage.org/research/features/index/country.cfm?id=UnitedArabEmirates>

Transparency International, "2007 Corruption Perceptions Index," September 2007. Available from Transparency International website. Accessed on June 3, 2008. (TI 2007)
http://www.transparency.org/policy_research/surveys_indices/cpi/2007

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)
http://www.buyusainfo.net/docs/x_216958.pdf

Adherence to global labor standards

[Agreed to comply]

The UAE is listed as a member of the International Labor Organization (ILO) on the ILO database, which further discloses that the UAE has ratified nine ILO conventions, including 6 of the 8 fundamental human rights conventions, as of June 2008. The sources used for this report do not list any labor unions in the UAE. Over 80% of residents are foreigners, and around 98% of private-sector workers in the UAE are non-UAE nationals, according to the 2008 U.S. Department of Commerce report. The UAE has introduced the Emiratization Plan, whereby employers are required to meet a certain labor quota of Emirati nationals, but as yet this effort has not been successful. As a result, the government introduced a revised version in 2007, but this has yet to be approved by the Cabinet.

Sources:

International Labor Organization, "Database of International Labor Standards," 2008. Available from International Labor Organization website. Accessed on June 3, 2008. (ILO 2008)
<http://www.ilo.org/ilolex/english/newcountryframeE.htm>
<http://www.ilo.org/ilolex/english/docs/declworld.htm>

U.S. Department of Commerce, "Doing Business in United Arab Emirates: A Country Commercial Guide," June 2008. Available from U.S. & Foreign Commercial Service and U.S. Department of State website. Accessed on June 2, 2008. (U.S. DoC 2008)
http://www.buyusainfo.net/docs/x_216958.pdf

Methodology

The Business Indicator Index gives a score for a country's economic, political, and business environment compared with a model that experience has established as the best approach to sustainable development. The rankings indicate degrees of compliance with the main attributes of a "standard" model.

The score is calculated as follows: A country is given a score of either 1 (complies) or 0 (does not comply) for each of the 12 business indicators. The sum of each of these scores is the final overall score, which can range from 0 (no compliance with any factors) to 12 (full compliance with all factors).

Below are the 12 Business Indicators and the respective desired categorization. The details of the scores as well as the score given for meeting the benchmark are provided below.

Indicator	Best practice benchmark	Points
1. Economic Model	Market-based economy	1 point
2. FOREX Regulations	No Capital Controls	1/2 point
	No Exchange Controls	1/2 point
3. Foreign Investment Law	Yes, adequate Foreign Investment Law	1 point
4. Trade Regulation	No Import Regulation	1/4 point
	No Protective Tariffs	1/4 point
	Yes, Export Incentives	1/4 point
	No Export Disincentives	1/4 point
5. Tax Regime	Creates Incentives for Investment	1 point
6. Tax Rates	Low/Competitive	1 point
7. Bankruptcy Indicators/ Property Rights	Established	1 point
8. International Dispute Settlement	Credible History/Marginal Success	1 point
9. Political Environment	Positive Commitment to growth and/or globalism by ruling authority	1/3 point
	Positive Attitude toward utilization of global resources to promote domestic growth	1/3 point
	Positive Commitment to growth and/or globalism by political opposition	1/3 point
10. Political Stability	Yes, for foreseeable future	1 point
11. Corruption	No Concern	1 point



Standard : Special Data Dissemination Standard

Level of Compliance: **No Compliance**

Summary

The United Arab Emirates (UAE) does not subscribe to the International Monetary Fund's (IMF) Special Data Dissemination Standard, but does participate in the IMF's less stringent General Data Dissemination System (GDDS). The UAE became a participant to the GDDS on July 31, 2008. At the time of publication of the 2007 IMF Article IV Consultation, UAE had not yet become a participant of the GDDS. However, the report noted that the authorities continued to stress their strong desire to improve the UAE's statistical framework and expressed their intent to expedite the process toward participating in the GDDS. To this end, a National Bureau of Statistics was to be established by end-2007. Nonetheless, as of June 2008, there is little information publicly available regarding the establishment of such an institute.

General Overview

The United Arab Emirates (UAE) is not a subscriber to the International Monetary Fund's (IMF) Special Data Dissemination Standard (SDDS), but does participate in the IMF's less stringent General Data Dissemination System (GDDS). The 2007 IMF Article IV Consultation report notes that the UAE authorities have recently pursued measures to improve their statistics - an attitude that the IMF finds "encouraging" (p. 19). The authorities, as evidenced by the country's strategic plan, indicate that a major upgrade will be undertaken over the next five years in the statistics field. During the IMF's mission to the UAE for the Article IV Consultation, government officials reiterated their interest in establishing a National Bureau of Statistics by the end of 2007. Further, the authorities assured the IMF mission that their efforts toward joining the IMF's GDDS, as well as the appointment of a national coordinator will be accelerated. However, as of June 2008, there was little information publicly available regarding the establishment of a National Bureau of Statistics.

The 2007 IMF report discloses that statistical data submitted to its organization is "adequate for surveillance purposes, [however] improvements in the quality, availability, and timeliness of economic statistics would help policy analysis and formulation" (p. 19). Moreover, data shortcomings in economic and financial statistics affect staff's analysis. These limitations reflect "inadequate compilation techniques, infrequent data reporting, shortage of trained staff, insufficient resources assigned to data gathering, and poor information flow between federal and emirate governments and public sector entities" (p. 5). A 2003 report by the IMF notes that the methodologies used to assemble macroeconomic data are generally appropriate. However most sectors face serious statistical deficiencies. All these issues have prompted the authorities to swiftly address the weaknesses of economic statistics at the national level. In its 2007 report, the IMF

advises the country on various technical issues and makes several recommendations. The UAE authorities have welcomed the recommendations and confirmed that they would act on them.

In its 2006 Article IV Consultation with the UAE, the IMF indicates that the Ministry of Economy and Planning (MoEP) is the body responsible for compiling and disseminating an annual consumer price index (CPI), and estimates of GDP by production and expenditure approach in current and constant 1995 prices. The generation of this statistical data is marred with deficiencies, such as the lack of a comprehensive data collection program. More broadly, however, limitations in data compilation and dissemination are largely due to a lack of coordination among the seven Emirates and the Federal government, and to the infrequency in reporting of government financial operations.

Further information on compliance with the principles of this standard is provided below.

Comprehensive economic and financial data, disseminated on a timely basis.

Level of Compliance: No Compliance

The UAE is not a subscriber to the IMF's SDDS, but participates in the IMF's GDDS. In its 2006 Article IV Consultation the IMF indicated that UAE's economic statistics continued to suffer from numerous structural weaknesses with respect to data quality, coverage, periodicity, timeliness, and intersectoral consistency.

Ready and equal access to official statistics.

Level of Compliance: No Compliance

The UAE is not a subscriber to the IMF's SDDS, but participates in the IMF's GDDS.

Official statistics must have the confidence of their users. Transparency of its practices and procedures is a key factor.

Level of Compliance: No Compliance

The UAE is not a subscriber to the IMF's SDDS, but participates in the IMF's GDDS.

A set of standards that deals with the coverage, periodicity and timeliness of data must also address the quality of statistics.

Level of Compliance: No Compliance

The UAE is not a subscriber to the IMF's SDDS, but participates in the IMF's GDDS. The 2003 IMF report notes that the methodologies used to assemble macroeconomic data are generally appropriate. However most sectors face serious statistical deficiencies. In its 2006 Article IV Consultation, the IMF indicated that the UAE's economic statistics continued to suffer from numerous structural weaknesses with respect to data quality, coverage, periodicity, timeliness, and intersectoral consistency.

ANNEX

Sources of Assessment

International Monetary Fund, "United Arab Emirates: Selected Issues and Statistical Appendix," Country Report No. 03/67, Washington, D.C.: IMF, March 2003. Available from International Monetary Fund website. Accessed on June 6, 2008. (IMF 2003)

<http://www.imf.org/external/pubs/ft/scr/2003/cr0367.pdf>

International Monetary Fund, "United Arab Emirates: 2007 Article IV Consultation - Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the United Arab Emirates," Country Report No. 07/347, Washington, D.C.: IMF, October 2007. Available from International Monetary Fund website. Accessed on May 30, 2008. (IMF 2007)

<http://www.imf.org/external/pubs/ft/scr/2007/cr07347.pdf>

International Monetary Fund's General Data Dissemination System website. Accessed on July 31, 2008. (IMF GDDS website)

<http://dsbb.imf.org/Applications/web/gdds/gddscountrylist/#u>

International Monetary Fund's Special Data Dissemination Standard website. Accessed on May 30, 2008. (IMF SDDS website)

<http://dsbb.imf.org/Applications/web/sddscountrylist/>

Relevant Organizations

Central Bank of the United Arab Emirates (CBU)

<http://www.centralbank.ae/index.php>

Ministry of Economy (MoE)

<http://www.government.ae/gov/en/gov/federal/moec.jsp>

Ministry of Finance and Industry (MoFI)

http://www.uae.gov.ae/mofi/e_home.htm

Relevant Legislation/Regulation

Supplementary Sources

International Monetary Fund, "United Arab Emirates: 2005 Article IV Consultation - Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for the United Arab Emirates," Country Report No. 05/269, Washington, D.C.: IMF, 2005. Available from International Monetary Fund website. Accessed on June 3, 2008. (IMF 2005)

<http://www.imf.org/external/pubs/ft/scr/2005/cr05269.pdf>

Standard : Code of Good Practices on Transparency in Monetary Policy

Level of Compliance: Enacted

Summary

According to the 2003 International Monetary Fund (IMF) Report on the Observance of Standards and Codes (ROSC), the United Arab Emirates (UAE) observes most good transparency practices regarding monetary policy. This evaluation is reaffirmed by the IMF's 2006 and 2007 Article IV Consultations with the UAE, and by statements by the Central Bank of the United Arab Emirates (CBU). The CBU is independent by virtue of the 1980 Union Law Concerning the Central Bank, the Monetary System, and Organization of Banking, which specifies the CBU's objectives and duties as overseer of the day-to-day handling of monetary policy. The roles, responsibilities, and objectives of the central bank are clearly and comprehensively posted on the CBU website. Also, the UAE observes most good transparency practices regarding the reporting of monetary policy decisions. The CBU informs the public immediately after decisions have been made regarding changes in monetary policy instruments, and the rationale behind such changes is publicized accordingly. Nevertheless, the ROSC points out that the UAE still has to address some important weaknesses. For example, there is a lack of detail in reporting monetary operations, the balance sheet, and macroeconomic developments. Also, there is a lack of detail in the descriptions and explanations of the monetary policy framework, and in disclosing the relationship between the CBU and the government. Perhaps most importantly, the UAE does not subscribe to the Special Data Dissemination Standard or the General Data Dissemination System regarding the coverage, periodicity, and timeliness of monetary data.

General Overview

The 2003 International Monetary Fund (IMF) Report on the Observance of Standards and Codes (ROSC) stated that the Central Bank of the United Arab Emirates (CBU) "observes most good transparency practices regarding monetary policy," (p. 46) but cautioned that the UAE's monetary policy transparency regime has several important weaknesses. According to the ROSC, the CBU is independent by virtue of the 1980 Union Law Concerning the Central Bank, the Monetary System, and Organization of Banking (henceforth the Banking Law), which specifies the CBU's objectives and duties as overseer of the day-to-day handling of monetary policy. The roles, responsibilities, and objectives of the central bank are also clearly and comprehensively posted on the CBU website. However, according to the 2003 ROSC, disclosure of information on the relationship between the central bank and the government could be further enhanced. For example, neither the annual amount of net profits transferred to the government, nor the process of determining these amounts, had been publicly disclosed as of 2003.

The ROSC observes that the UAE largely observes the monetary policy transparency code regarding the formulation and reporting of monetary policy decisions, adding that the CBU solicits input from the public when contemplating technical adjustments in policy or monetary instruments. The CBU also produces circulars in which operating procedures are outlined, and these circulars are published and made available to financial institutions, the media and public in general. The CBU publishes a variety of reports and bulletins to keep the public abreast of macroeconomic (i.e. the Economic Bulletin and the Annual Report) and real-sector developments (the Annual Report). However, none of the CBU publications gives an explanation of the monetary policy framework or the ways in which policy instruments are being employed. Also, the CBU does not produce any publications that give the public an insight into future

developments.

Overall, the ROSC notes that there is a need to strengthen the reporting of monetary operations and decisions in the UAE. The ROSC particularly highlights the fact that the UAE does not subscribe to the Special Data Dissemination Standard (SDDS) or the General Data Dissemination System (GDDS) regarding the coverage, periodicity, and timeliness of monetary data. The UAE is currently in the process of subscribing to the GDDS. The 2006 IMF Article IV Consultations observed that, in large part, the structural weaknesses noted in the 2003 ROSC remained, including those pertaining to data quality, coverage, periodicity, and timeliness. The IMF consultation warned of an urgent need for the UAE to develop an effective statistical reporting framework, adding that "the fast-evolving structure of the UAE economy, its increasing linkages to the international capital markets, and the planned Gulf Cooperation Council (GCC)-wide monetary union by 2010 require a comprehensive plan to address data weaknesses in most economic sectors," (pp. 17-19). Nevertheless, the UAE does have media through which it makes information on financial policies available to the public. For example, the CBU publishes the quarterly Statistical Bulletin, the annual Economic Bulletin and the Annual Report. The CBU website features all monetary policy data and reports, and the information contained therein is regularly updated.

The Banking Law lays out the framework for the CBU's accountability and assurances of integrity, explains the IMF's ROSC. For example, the Banking Law requires that the accounts of the CBU be subject to independent audit each year, and that the resulting audited financial statements, which are prepared in accordance with International Accounting Standards, be submitted to the President and the Minister of Finance and Industry by the third month following the end of the fiscal year. The audited balance sheet must be summarized in the Annual Report, which is then made publicly available (i.e. on the CBU website). The ROSC also highlights areas needing improvement. Of particular importance is that "notes to the accounts, any qualifications to the statements, and information on accounting policies are not disclosed" (p. 47).

According to the IMF's 2007 Article IV Consultation, as a result of the UAE's monetary policy being determined by the exchange rate peg to the U.S. dollar, the UAE has a completely open capital market. UAE interest rates closely track U.S. dollar rates. Plus, the UAE has "reiterated their commitment to the U.S. dollar peg in the period leading up to the GCC monetary union in 2010" (IMF 2007, p. 14).

Further information on compliance with the principles of this standard is provided below.

Clarity of roles, responsibilities and objectives of central banks.

Level of Compliance: Enacted

According to the IMF ROSC, the CBU is independent by virtue of the 1980 Banking Law, which specifies the CBU's objectives and duties as overseer of the day-to-day handling of monetary policy. The roles, responsibilities, and objectives of the central bank are clearly and comprehensively posted on the CBU website. For example, the website states that the goal of UAE monetary policy is to enhance the living standards of all emirate citizens by maintaining currency stability both domestically and internationally, ensuring free currency convertibility, and achieving steady national economic growth.

The Banking Law defines the institutional relationship between the CBU and the government in the UAE, with roles of the CBU and the conditions according to which it may make advances to the government clearly stated. However,

according to the 2003 ROSC, disclosure of information on the relationship between the central bank and the government could be further enhanced. For example, neither the annual amount of net profits transferred to the government, nor the process of determining these amounts, have been publicly disclosed as of 2003. The ROSC notes that the CBU is governed by a Board of Directors made up of the Chairman, a Deputy Chairman, the CBU governor, and four others. According to the Banking Law, the CBU's accountability is to the UAE President and the Minister of Finance, to whom it must submit balance sheet statements, reports on the monetary and banking situation, an annual activity report, and other information. Details of these duties and responsibilities are posted on the CBU website.

Open process for formulating and reporting monetary policy decisions.

Level of Compliance: **Compliance In Progress**

The 2003 IMF ROSC states that "most good transparency practices for formulating and reporting monetary policy are observed," (p. 46) adding that the CBU informs the public immediately after decisions have been made regarding changes in monetary policy instruments, and the rationale behind such changes is publicized accordingly. In fact, when contemplating technical adjustments in policy or monetary instruments, the CBU solicits input from the public. The CBU also produces circulars in which operating procedures are outlined, and these circulars are published as a book and made available to financial institutions, the media, and the general public. The CBU publishes a variety of annual reports and bulletins to keep the public abreast of macroeconomic (i.e. the Economic Bulletin and the Annual Report) and real-sector developments (the Annual Report).

While commending the CBU's commitment to increasing the transparency of its decision-making process, the ROSC points out areas where the UAE can improve based on best practice at other central banks. For instance, there is no place among CBU publications in which the public can find an explanation of the monetary policy framework or the ways in which policy instruments are being employed. Furthermore, the CBU does not produce any publications that give the public an outlook of future developments. Moreover, CBU publications designed to keep the public abreast of macroeconomic, inflation, and real-sector developments (i.e. the Economic Bulletin and the Annual Report) are only published annually. In addition, the CBU does not publicly announce in advance the meeting schedule of its Board of Directors, thus seriously hampering public engagement and overall transparency.

Public availability of information on monetary policy.

Level of Compliance: **Intent Declared**

According to the 2003 IMF ROSC, the UAE does not subscribe to the SDDS or the GDDS regarding the coverage, periodicity, and timeliness of monetary data. The UAE authorities expressed interest in 2003 in participating in the GDDS and took steps towards initiating that participation. However, according to the October 2007 IMF Article IV Consultations, the authorities are still working on finalizing their participation in GDDS. The 2003 IMF ROSC mission assisted UAE authorities in drafting metadata to help facilitate their participation in the GDDS, but the work was never finalized and no GDDS coordinator was appointed. A new GDDS workshop was held in Abu Dhabi in early 2005, during which the metadata was updated, thus restarting the UAE's progress toward GDDS participation. Nevertheless, the UAE has a plethora of media through which it makes information on financial policies available to the public. For example, the CBU publishes the quarterly Statistical Bulletin, the annual Economic Bulletin and the Annual Report. The CBU publishes its balance sheet in these publications and also in the monthly Official Gazette with a two-month lag. Launched in 2001, the CBU website features all monetary policy data and reports, and the information contained therein is regularly updated.

Overall, the ROSC notes that there is a need to strengthen the reporting of monetary operations and decisions in the UAE. Beyond the fact that the UAE does not subscribe to the SDDS and the GDDS, the IMF highlights other

shortcomings in the UAE's reporting framework. For example, the IMF observes that the CBU's balance sheets are generally not detailed enough and fail to differentiate between private and public sector credit and deposit figures. Similarly, the balance sheets fail to distinguish between foreign and domestic assets, and bank overdrafts are not listed separately from other assets. Finally, emergency financial actions taken by the CBU are reported via press releases after they occur, thus diminishing their impact.

Both the 2006 and 2007 IMF Article IV Consultations with the UAE concur that monetary and financial sector statistics in the UAE are reported with a considerable lag and do not include information on the activities of non-bank finance companies (i.e. mutual funds, investment companies, and brokerage firms). Most importantly, the July 2006 IMF Article IV Consultations observed that, in large part, the structural weaknesses noted in the 2003 ROSC remained, including those pertaining to data quality, coverage, periodicity, and timeliness. The IMF consultation warned of an urgent need for the UAE to develop an effective statistical reporting framework, adding that "the fast-evolving structure of the UAE economy, its increasing linkages to the international capital markets, and the planned GCC-wide monetary union by 2010 require a comprehensive plan to address data weaknesses in most economic sectors," (pp. 17-19). Areas of specific concern cited by the 2006 IMF Consultation were the collection, compilation, and reporting of fiscal, national accounts, balance of payments, and monthly price statistics. The consultation also advised that the UAE introduce comprehensive data collection system, review source data and compilation methods for key items like trade and services, and strengthen human resources for compiling departments in the CBU.

Accountability and assurances of integrity by the central bank.

Level of Compliance: Enacted

The 2003 IMF ROSC notes that the Banking Law lays out the framework for the CBU's accountability and assurances of integrity. For example, the Banking Law requires that the accounts of the CBU be subject to independent audit each year, and that the resulting audited financial statements, which are prepared in accordance with International Accounting Standards, be submitted to the President and the Minister of Finance and Industry by the third month following the end of the fiscal year. Auditors are chosen by the CBU Board of Directors, and they have varied over the years. The audited balance sheet must be summarized in the Annual Report, which is then made publicly available on the CBU website. The Banking Law also requires the Governor of the Central Bank to appear before the Federal National Council and the Emirates Consulting Councils to report on the CBU's performance, as well as to make presentations regarding the state of the economy.

The ROSC also points out that there are some legal assurances of the integrity of CBU officials contained in the Banking Law, which establishes general standards governing the personal financial affairs of the members of the Board of Directors. Internal CBU regulations guard against conflict of interest, even though these are not regularly made available to the public. Rather, they must be directly requested from the bank. The law does not provide for formal legal protection of CBU staff in the conduct of their duties. However, should a legal suit arise, it must be brought against the bank itself, rather than individual staff members, except if that staffer commits a breach of conduct. The ROSC also highlights areas needing improvement. Of particular importance is that "notes to the accounts, any qualifications to the statements, and information on accounting policies are not disclosed" (p. 47).

ANNEX

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<http://www.imf.org/external/pubs/ft/scr/2007/cr07347.pdf>

Relevant Organizations

Arab Monetary Fund (AMF)

<http://213.132.37.243/vEnglish/>

Central Bank of the United Arab Emirates (CBU)

<http://www.uaecb.gov.ae/>

Ministry of Finance and Industry (MoFI)

<http://www.government.ae/gov/en/gov/federal/mofi.jsp>

State Audit Institution (SAI)

<http://www.saiuae.gov.ae/>

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Standard : Code of Good Practices on Transparency in Fiscal Policy

Level of Compliance: **No Compliance**

Summary

The International Monetary Fund's (IMF) 2004, 2006, and 2007 Article IV Consultations with the United Arab Emirates (UAE) noted that the current lack of fiscal policy coordination among the Emirates and the UAE federal government, and overall weaknesses in fiscal data, have continued to impede the timely and accurate assessment of fiscal developments. Without uniformity in the classification of expenditures and revenues among the seven Emirates and the federal government, with the lack of data on the government's investment income, and with considerable off-budget spending, a comprehensive analysis of fiscal developments and the timely dissemination of such information to the public is difficult. To fix this, the IMF Consultations primarily recommended that the UAE advance fiscal policy coordination. In fact, this process is already underway. In 2007, the UAE launched a single national treasury account to facilitate fiscal coordination. Also, to enhance the coverage, consistency, periodicity, and timeliness of fiscal data, the UAE is working on finalizing their participation in the General Data Dissemination System.

General Overview

The IMF's Article IV Consultations with the United Arab Emirates (UAE) from 2004-2007 noted that the current lack of fiscal policy coordination among the Emirates and the UAE federal government and an overall weaknesses in fiscal data continue to impede the timely and accurate assessment of fiscal developments in the UAE. There is no uniformity in the classification of expenditures and revenues among the seven Emirates and the Federal government. This, in addition to the lack of data on the government's investment income and considerable off-budget spending, make it difficult to achieve a comprehensive analysis of fiscal developments and the timely dissemination of such information to the public. To fix this, the IMF Consultations primarily recommended that the UAE advance its fiscal policy coordination. According to the 2007 Article IV Consultations, efforts to upgrade the statistical system and to adopt international standards of classification for expenditure and revenue statistics are already underway. In 2007, the UAE launched a single national treasury account to facilitate fiscal coordination. Also, to enhance the coverage, consistency, periodicity, and timeliness of fiscal data, the UAE is working on finalizing their participation in the IMF's General Data Dissemination System (GDDS).

The roles and responsibilities of the Ministry of Finance and Industry (MoFI) and the Ministry of Planning (MoP) regarding fiscal policy are clearly listed and defined on the MoFI and MoP websites, respectively. However, this declaration does not specifically address the UAE's compliance level with this standard. Overall, according to its website, the MoFI's fiscal policy oversight is regulated by laws and regulations, such as Resolution 137 of July 2000, through which the UAE federal government empowers the MoFI with the responsibility to introduce "total quality management" in all UAE ministries. The 2004 and 2007 IMF Article IV Consultations observe that the current lack of fiscal policy coordination among the Emirates and the federal government makes it difficult to carry out an accurate assessment of overall fiscal developments in the UAE and to make such information available to the public on a timely basis. Currently, the data needed to consolidate public sector spending, including spending by the government and quasi-public entities, are not available and need to be compiled, according to the IMF. Despite the lack of fiscal policy coordination, the Central Bank of the United Arab Emirates (CBU) publishes an annual "consolidated" fiscal statement in

its Statistical Bulletin. However, key information, such as investment income and expenditure under the control of the respective municipalities, remains off-budget in some emirates, hindering comparison of fiscal developments across the emirates and the federal government. Plus, international standards of economic classification of expenditure and revenue are not fully followed.

Regarding open budget preparation, execution and reporting, the IMF's 2004 and 2007 Article IV Consultations note that the UAE neither subscribes to the IMF's Special Data Dissemination Standard (SDDS) nor the GDDS. A 2003 IMF fact-finding mission assisted UAE authorities in drafting metadata to help facilitate their participation in the GDDS, but the work was never finalized and no GDDS coordinator was appointed. A new GDDS workshop was held in Abu Dhabi in early 2005, during which the metadata was updated, and a GDDS coordinator nominated in 2007, thus revitalizing the UAE's progress toward GDDS participation. Also, in 2007, the UAE government established the National Bureau of Statistics as part of its efforts to improve consumer price and other economic statistics, including national accounts, balance of payments and fiscal data, which the IMF cited as urgently needed. In January 2005, the MoFI launched the Organic Budget Law (OBL) as part of its on-going budget reform process. The new OBL reforms the Law No14 of 1973 on the rules of State Budget Preparation and Final Accounts and its main aim is to specify the schedule and procedures by which the budget should be prepared, approved, executed, accounted for, and final accounts submitted for approval.

According to the United Nations Development Program on Governance in the Arab Region (UNDP/POGAR), the State Audit Institution (SAI) is governed by Federal Law 7 of 1976 and mandated to provide financial transparency and, in doing so, exercise external audits of the state. Furthermore, as part of the UAE's on-going budget reform process, the new Organic Budget Law (OBL) grants program managers greater freedom in the use of the resources allocated to them, and, in return for this freedom, they are accountable for the results of their actions. The MoFI's website discloses that "the reform's watchwords will hence be autonomy and accountability, but also trust: the federal government's trust in the competence, motivation, and integrity of its civil servants."

Further information on compliance with the principles of this standard is provided below.

Clarity of roles and responsibilities.

Level of Compliance: Insufficient Information

The roles and responsibilities of the MoFI and the MoP regarding fiscal policy are listed and defined on the MoFI and MoP websites respectively. However, this declaration does not specifically address the UAE's compliance level with this principle. Overall, according to its website, the MoFI's fiscal policy oversight is regulated by laws and regulations, such as Resolution 137 of July 2000, through which the UAE federal government empowers the MoFI with the responsibility to introduce "total quality management" in all UAE ministries. The website also states that the MoFI is primarily responsible for formulating and implementing all fiscal policies, including fiscal accounting policies, the national federal budget, and all federal accounts. The MoFI also administers revenue collection, supervises purchases, expenditure control, and asset administration.

According to the IMF 2007 Article IV Consultations with the UAE, fiscal coordination between the federal and the emirate governments needs to be improved. The status quo is such that the roles and responsibilities between the federal and the emirate governments are not clear or transparent pertaining to fiscal policy. However, the 2007 consultations also note that a strategic reform plan aimed at enhancing fiscal policy coordination is underway. Already, the UAE government has established a single national treasury account to facilitate fiscal coordination. The tasks of the

MoP include proposing short, medium and long-term plans and preparing annual budgets for development and follow-up spending procedures thereof in collaboration with the MoFI and other designated ministries.

Open budget processes

Level of Compliance: Insufficient Information

In January 2005, the MoFI enacted the OBL as part of its on-going budget reform process. The new OBL reforms the Law No14 of 1973 on the rules of State Budget Preparation and Final Accounts and its main aim is to significantly improve the public expenditure management framework making it results and-performance oriented. Specifically, the OBL specifies the schedule and procedures by which the budget should be prepared, approved, executed, accounted for, and final accounts submitted for approval. Once the budget reform process is completed, the federal budget's presentation will be in the form of programs (main goals) and sub-programs (specific objectives), grouping together expenditure by major public policy, and should give a clear picture of the federal government's priorities and the cost and results of its action.

According to the IMF 2007 Article IV Consultations, although the UAE is neither a subscriber to the SDDS nor to the GDDS, the authorities are currently working on finalizing their participation in GDDS. The 2003 IMF ROSC mission assisted UAE authorities in drafting metadata to help facilitate their participation in the GDDS, but the work was never finalized and no GDDS coordinator was appointed. A new GDDS workshop was held in Abu Dhabi in early 2005, during which the metadata was updated and a GDDS coordinator nominated (in 2007), thus restarting the UAE's progress toward GDDS participation. Also, in 2007, the UAE government established the National Bureau of Statistics as part of its efforts to improve consumer price and other economic statistics, including national accounts, balance of payments and fiscal data, which the IMF cited as urgently needed.

Public availability of information.

Level of Compliance: Insufficient Information

According to the 2004 and 2007 IMF Article IV Consultations, the current lack of fiscal policy coordination among the Emirates and Federal government makes the accurate assessment of overall fiscal developments in the U.A.E and the timely availability of such information to the public difficult. The status quo is such that there is no uniformity among the seven emirates and the federal government in classification of expenditures and revenues. Most importantly, this complex and decentralized policymaking process has made it difficult for UAE authorities to implement IMF fiscal policy transparency principles. Moreover, poor coordination between federal and local agencies hampers progress in addressing deficiencies in official statistics. Currently, the data needed to consolidate public sector spending, including spending by the government and quasi-public entities, are not available and need to be compiled.

The 2004 IMF Consultations also notes a significant weakness in the UAE's statistical base pertaining to coverage, consistency, periodicity, and timeliness, since the UAE does not subscribe to the GDDS. Shortcomings are particularly serious in the fiscal area. In addition to poor coordination within and between the emirates and federal government agencies, data compilation and reporting is also hampered by a shortage of trained staff. However, according to the 2007 IMF Consultations, the authorities are working on finalizing their participation in GDDS, and have indicated an interest in improving the availability and quality of data on consolidated fiscal operations, the national accounts, balance of payments, and prices in order to enhance policymaking decisions.

The 2006 IMF Article IV Consultations noted other principal deficiencies in the UAE's fiscal transparency regime, such as low frequency in reporting of government financial operations due partly to the MoFI's practice of compiling data for the Federal government only. According to the report, while the methodology used to compile macroeconomic statistics

is generally appropriate, serious deficiencies exist in most sectors, including the lack of sufficient and regular data sources in the real sector; inadequate coordination among the data compiling agencies; and constraints from distribution of personnel and financial resources between the federal government and the largest emirates. Nevertheless, the CBU publishes an annual "consolidated" fiscal statement in its Statistical Bulletin. However, key information, such as investment income and expenditure under the control of the respective municipalities, remains off-budget in some emirates, hindering comparison of fiscal developments across the Emirates and the federal government. Plus, international standards of economic classification of expenditure and revenue are not fully followed.

Independent assurances of integrity.

Level of Compliance: Insufficient Information

According to the UNDP/POGAR, the SAI is governed by Federal Law 7 of 1976 and mandated to provide financial transparency. In doing so, it conducts external audits of the state. It conducts specific audits of public funds and ensures the legality and safety of funds and implementation of development projects. The SAI conducts audits of ministries, federal government departments, public corporations, and all entities in which public ownership is at 25 percent or more of total shares.

The 2007 IMF Article IV Consultations states that the lack of fiscal policy coordination among the emirates and federal government makes the accurate assessment of overall fiscal developments in the UAE and the timely availability of such information to the public difficult. The status quo is such that there is no uniformity among the seven emirates and the federal government in classification of expenditures and revenues. Furthermore, as part of the UAE's on-going budget reform process, the new OBL grants program managers greater freedom in the use of the resources allocated to them, and, in return of this freedom, they are accountable for the results of their actions. According to the MoFI website, "the reform's watchwords will hence be autonomy and accountability, but also trust: the federal government's trust in the competence, motivation, and integrity of its civil servants."

ANNEX

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Ministry of Planning (MoP)

<http://www.uae.gov.ae/Ministries/mop.htm>

Federal National Council (FNC)

<http://www.almajles.gov.ae/>

State Audit Institution (SAI) (website in Arabic only)

<http://www.saiuae.gov.ae/>

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Constitution of the United Arab Emirates Constitution, Interim 1971, permanent 1996

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<http://www.buyusainfo.net/info.cfm?id=120145&keyx=068AF92B3F06FD9F431FF3A4B595FB4E&dbf=ccg1&loadnav=no>

Standard : International Financial Reporting Standards

Level of Compliance: **No Compliance**

Summary

According to the International Monetary Fund's (IMF) 2007 Financial System Stability Assessment, the United Arab Emirates (UAE) does not have an accounting law, nor does it legally mandate accounting standards. The Companies Law sets forth that accounting principles and practices should be in line with the generally accepted practice and principles of accounting, but it does not define the standards. Companies listed on the Abu Dhabi Securities Exchange are required to apply International Financial Reporting Standards (IFRSs), but there is no specific guidance as far as their application is concerned. The rules of the Dubai Financial Market do not specify any accounting standards. Pursuant to Central Bank Circular No 20/99, banks, financial institutions, and investment companies in the UAE are required to prepare their financial statements in accordance with IFRSs with effect from January 1, 1999. The IMF recommended that the UAE enact an accounting law that would adopt IFRSs for public companies and introduce national accounting standards for other companies. The 2007 IMF "Detailed Assessment" indicates that the UAE and the Dubai International Financial Center (DIFC) do not have an accounting standard setting body. The DIFC was established in 2004 as an onshore capital market designated as a financial free zone. As of 2006, the DIFC legal framework required banks and companies listed on the Dubai International Foreign Exchange to apply IFRSs. The 2006 "Doing Business Guide" by PricewaterhouseCoopers states that, within the jurisdiction of the DIFC, accounts of limited liability companies and limited liability partnerships should be prepared in accordance with accounting principles or standards approved by the Registrar of Companies, which typically comply with IFRSs. With respect to general partnerships, however, the law does not stipulate any statutory financial, accounting, or audit requirements.

General Overview

The Companies Law in the United Arab Emirates (UAE) sets forth that accounting principles and practices should be in line with the generally accepted practice and principles of accounting, but does not define the standards, according to the 2007 Financial System Stability Assessment by the International Monetary Fund (IMF). Although companies listed on the Abu Dhabi Securities Exchange are required to apply International Financial Reporting Standards (IFRSs), there is no specific guidance as far as their application is concerned. The rules of the Dubai Financial Market do not specify any accounting standards. Pursuant to Central Bank Circular No 20/99, banks, financial institutions and investment companies in the UAE have been required to prepare their financial statements in accordance with IFRSs since January 1, 1999. Given the fragmented nature of the financial reporting requirements, the IMF recommended the enactment of an accounting law that would adopt IFRSs as mandatory standards for public companies, and create national accounting standards for other companies.

In 2004, the UAE established the Dubai International Financial Center (DIFC), according to the DIFC official website. The DIFC is an onshore capital market designated as a financial free zone. The DIFC constitutes a part of the government's larger vision of creating an environment for growth, progress, and economic development in the UAE and the wider region. Authors Irvine and Lucas, writing in "The Globalization of Accounting Standards: The Case of the United Arab Emirates" in 2006, argued that the increased trade with western nations and the European Union's requirement for listed consolidated entities to follow IFRSs beginning January 1, 2005, put pressure on the UAE to move

toward the adoption of IFRSs. The authors added that, as of 2006, the DIFC legal framework required banks as well as companies listed on the Dubai International Foreign Exchange to apply IFRSs.

According to the 2006 PricewaterhouseCoopers (PwC) "Doing Business Guide," within the jurisdiction of the DFIC, accounts of limited liability companies (LLCs) and limited liability partnerships (LLPs) should be prepared in accordance with accounting principles or standards approved by the Registrar of Companies (RoC) operating under the Companies Law, which typically comply with IFRSs. If an LLC is a member of an international corporate group which prepares financial statements under a different accounting framework, the company may prepare its financial statements under the other framework, provided that prior consent was given by the RoC. With respect to general partnerships, however, the law does not stipulate any statutory financial, accounting or audit requirements.

The registration of accountants and auditors in the UAE is governed by Federal Law No.9 of 1975, according to Dubai Internet Pages website. With respect to Islamic banking and the overall Islamic financial industry, the Accounting and Auditing Organization for Islamic Financial Institutions is the body responsible for developing accounting, auditing, ethics, governance, and Shari'a standards. Per its official website, the Accountants and Auditors Association (AAA) was established to cope with overall economic development in the UAE. The website discloses the main objective of the AAA, which is to develop and consolidate the rules and standards for the practice of the profession of accounting and auditing in the country in general and, in particular: (1) to prepare and study the accounting and auditing standards and to submit the proposals for their development to the concerned authorities in the country for ratification and issuance; (2) to propose ways and means to organize the profession and enhance its professional performance; (3) to propose the suitable organization for field control to ensure the implementation of accounting and auditing standards; (4) to undertake all actions required by the competent authorities in the country to develop the profession and enhance the efficiency of its services; (5) to maintain up-to-date information on the profession in the country and abroad, including the application of the standards. The UAE is not a member of the International Federation of Accountants.

Further information on compliance with the principles of this standard is provided below.

IFRS 1: First-time Adoption of International Financial Reporting Standards (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 2: Share-based Payment (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 3: Business Combinations (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 4: Insurance Contracts (effective 2006)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 6: Exploration for and Evaluation of Mineral Resources (effective 2006)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 7: Financial Instruments: Disclosures (effective 2007)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IFRS 8: Operating Segments (effective 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 1: Presentation of Financial Statements (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 2: Inventories (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 7: Cash Flow Statements (effective 1994)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 10: Events after the Reporting Period (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 11: Construction Contracts (effective 1995)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 12: Income Taxes (effective 2001)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 16: Property, Plant and Equipment (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 17: Leases (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 18: Revenue (effective 1995)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 19: Employee Benefits (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 21: The Effects of Changes in Foreign Exchange Rates (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 23: Borrowing Costs (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 24: Related Party Disclosures (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 26: Accounting and Reporting by Retirement Benefit Plans (effective 1998)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 27: Consolidated and Separate Financial Statements (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 28: Investments in Associates (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 29: Financial Reporting in Hyperinflationary Economies (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 31: Interests in Joint Ventures (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 32: Financial Instruments: Disclosure and Presentation (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 33: Earnings per Share (effective 2005)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 34: Interim Financial Reporting (effective 1999)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 36: Impairment of Assets (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective 1999)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 38: Intangible Assets (effective 2004)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 39: Financial Instruments: Recognition and Measurement (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 40: Investment Property (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

IAS 41: Agriculture (revised 2009)

Level of Compliance: Insufficient Information

There is insufficient publicly available information as to the UAE's compliance with this principle.

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DIFC Limited Partnership Law No. 4, 2006

[http://www.difc.ae/laws_regulations/laws/files/Limited%20Partnership%20Law%20v13%20%2021March06\(Updated%2005Jun06\).pdf](http://www.difc.ae/laws_regulations/laws/files/Limited%20Partnership%20Law%20v13%20%2021March06(Updated%2005Jun06).pdf)

DIFC General Partnership Law No. 11, 2004

http://www.difc.ae/laws_regulations/laws/files/General_Partnership_Law.pdf

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Standard : Principles of Corporate Governance

Level of Compliance: **Intent Declared**

Summary

The United Arab Emirates (UAE) Code of Corporate Governance for listed companies was promulgated in May 2007 by the Emirates Securities and Commodities Authority. According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, the Abu Dhabi Securities Market (recently renamed to Abu Dhabi Securities Exchange), the Dubai Financial Market, and the UAE Ministry of Economy have also produced and circulated draft corporate governance guidelines and regulations. The Hawkamah Corporate Governance Institute was also established in the Dubai International Financial Center in 2006 to promote corporate governance codes and guidelines in the UAE and throughout the region. Noting that the UAE capital markets are gaining in depth and sophistication, the International Monetary Fund's 2007 Financial System Stability Assessment encourages the authorities to allow foreign investors to fully access the securities markets by removing restrictions on stock ownership and board membership. It added that the authorities should foster the public listing of large, quasi-public companies on the stock exchanges to help develop the market. A new Companies and Commercial Activities Law is expected to be introduced at the end of 2008, allowing 100 percent foreign ownership of companies in some sectors outside the free trade zones.

General Overview

Capital markets in the United Arab Emirates (UAE) are gaining in depth and sophistication. The securities markets in the UAE consist of three exchanges, namely the Dubai Financial Market (DFM), the Dubai Gold & Commodities Exchange (DGCX), and the Abu Dhabi Securities Market, recently renamed to Abu Dhabi Securities Exchange (ADX). The DFM and the ADX were established in 2000 pursuant to the Emirates Securities and Commodities Authority (ESCA) Law, whereas the DGCX began trading in 2005. Per the IMF's 2007 Financial System Stability Assessment (FSSA), the exchanges act as de facto self-regulatory organizations under the authority of the ESCA. As noted in the Accounting Standards Update available from the Deloitte & Touche IAS Plus website, companies from the UAE, other than Dubai, are listed on the ADX alongside Abu Dhabi companies. The FSSA stated that, despite relatively high trading volumes, equity markets in the UAE lack depth and diversification. The exchanges are generally dominated by a few leading stocks, and the number of listed companies is small relative to the overall market capitalization of about US\$170 billion. The IMF's 2006 Article IV Consultation found there to be an urgent need to define the responsibilities of the various entities involved in regulating the capital markets and its participants. According to the 2007 FSSA, the authorities had made good progress in strengthening financial sector supervision and regulation, and the ESCA had achieved full operational status as the regulator for the securities markets.

Basic shareholder rights are incorporated into the 1984 Federal Law No. 8 Regarding Commercial Companies (hereafter referred to as the "Companies Law"). However, the 2007 FSSA noted that the Companies Law lacks provisions addressing shareholder protection, namely in the area of related-party transactions. The FSSA recommended that the authorities allow foreign investors to fully access the securities markets by removing restrictions on stock ownership and board membership. It added that the authorities should encourage public listing of large, quasi-public companies on the stock exchanges to help develop the market. The IMF report stated that more stringent disclosure requirements and corporate governance laws would improve international confidence in UAE capital markets and

increase foreign demand for local securities. A new Companies and Commercial Activities Law is expected to be introduced at the end of 2008, allowing 100 percent foreign ownership of companies in some sectors outside the free trade zones (FTZs).

In May 2007, the ESCA promulgated the Code of Corporate Governance for Joint-Stock Companies to enhance governance practices and the disclosure of listed companies. The 2007 IMF report recommended implementing the Code of Corporate Governance and adopting the proposed Companies and Commercial Activities Law. The Corporate Governance Guidelines for UAE Bank Directors were also drafted by the Central Bank of the UAE in May 2006. According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, the ADX, DFM, and UAE Ministry of Economy (MoE) have also produced and circulated draft corporate governance guidelines and regulations. Following the publication of the Corporate Governance Code in the Official Gazette, companies will have three years to comply with the Code.

The UAE has 37 FTZs and one financial free zone (FFZ), as stated in the U.S. Department of State International Narcotics Control Strategy Report. The Dubai International Financial Center (DIFC) was established as an FFZ in 2004. It focuses on capital markets, asset management, banking services, and insurance and reinsurance. The Dubai International Financial Exchange (DIFX) became operational within the DIFC in September 2005. According to the IMF's 2007 FSSA, the establishment of the DIFC has fostered competition in the UAE financial markets, and has partly contributed to the ESCA's initiatives for greater transparency and improved corporate governance. The DIFC created the Hawkamah Corporate Governance Institute in 2006, which is active in promoting corporate governance codes and guidelines in the UAE and throughout the region. The IMF states, however, that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

The United Nations Development Program/Program on Governance in the Arab Region (UNDP/POGAR) website lists the UAE as a member. POGAR was launched in early 2000 by the UNDP and the Regional Bureau for Arab States. According to its website, POGAR is dedicated to the promotion and development of good governance practices and related reforms in the Arab states. It works in partnership with key governance institutions, including legislatures, judiciaries, and civil-society organizations to identify needs and solutions.

As noted in the World Bank's 2008 Doing Business report, investor protection in the UAE in 2008 is lower than the average achieved by member states of the Organization for Economic Cooperation and Development (OECD), and slightly below the regional mean. The Investor Protection Index is a subcomponent of the World Bank's 2008 Doing Business Indicators, and consists of three dimensions of investor protection: transparency of transactions (Extent of Disclosure Index), liability for self-dealing (Extent of Director Liability Index) and shareholders' ability to sue officers and directors for misconduct (Ease of Shareholder Suits Index). The indices range between 0 and 10, with higher values indicating greater disclosure, greater liability of directors, greater powers of shareholders to challenge the transaction, and better investor protection. The UAE scores 4.0 in the disclosure index, against a regional average of 5.8 and an OECD average of 6.4. It scores 7.0 in the Director Liability Index, against a regional average of 4.7 and an OECD average of 5.1. Finally, it scores 2.0 in the Shareholder Suits Index, against a regional average of 3.7 and an OECD average of 6.5.

Further information on compliance with the principles of this standard is provided below.

Principle I: Ensuring the Basis for an Effective Corporate Governance Framework

Level of Compliance: Insufficient Information

At the time of the IMF's 2006 Article IV Consultation, there was an urgent need to define the responsibilities of the various entities involved in regulating the capital markets and its participants. According to the IMF's 2007 FSSA, the authorities have made good progress in strengthening financial sector supervision and regulation, and the ESCA has become fully operational as a regulator for the securities markets. Basic shareholder rights are incorporated into the Companies Law. A new Companies and Commercial Activities Law is expected to be introduced at the end of 2008, allowing 100 percent foreign ownership of companies in some sectors outside the FTZs. In May 2007, according to the IMF's 2007 FSSA, the ESCA promulgated a Code of Corporate Governance for listed companies to enhance the governance practices and disclosure of listed companies. The ADX, the DFM, and the MoE have also produced and circulated draft corporate governance guidelines and regulations, as stated in a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai. Following the publication of the Corporate Governance Code in the Official Gazette, companies will have three years to comply with the Code.

Principle II: The Rights of Shareholders and Key Ownership Function

Level of Compliance: Insufficient Information

As stated in the IMF's 2007 FSSA, "the Companies Law provides for basic shareholder protection and sanctions for officers and directors for misuse of powers, violations of laws, and fraud" (p. 23). However, the Law lacks provisions addressing shareholder protection, namely in the area of related-party transactions. According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, provisions of the new Corporate Governance Code provide that shareholders' rights, including dividend rights, liquidation rights, voting rights, sale of share rights, and information rights, must be stated in the Articles of Association of the company. Shareholders should also receive full and accurate information in order to vote and participate in general assembly meetings. However, the available sources do not directly address the UAE's compliance with this principle.

Principle III: The Equitable Treatment of Shareholders

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

Principle IV: The Role of Stakeholders in Corporate Governance

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

Principle V: Disclosure and Transparency

Level of Compliance: Insufficient Information

Listed companies in the UAE must prepare and distribute annual and interim reports following a general regime for disclosure of periodic financial information, according to the IMF's 2007 FSSA. The FSSA adds that in January 2007 the responsibility for oversight of initial public offerings (IPOs) was transferred from the MoE to the ESCA. According to the FSSA, "the IPO process and requisite disclosures should be formally transferred from MoE to ESCA (by revision of the Companies Law) and should follow international best practice" (p. 37). However, the available sources do not directly address the UAE's compliance with this principle.

According to the 2007 FSSA, legislation in the UAE does not provide for specific accounting standards to be used in preparing company financial reports. The IMF report recommends the prompt adoption of an accounting standard-

setting regime. As reported in the Accounting Standards Update available from the Deloitte & Touche IAS Plus website, since 2003 all companies listed on the ADX are required to publish financial statements in line with international financial reporting standards (IFRS). Companies listed on the DIFX are also required to publish IFRS financial statements, pursuant to the DIFC Companies Regulations. Auditors in the UAE are regulated under the 1995 Federal Law No. 22 Regarding Organization of the Auditing Profession. In its 2007 FSSA, the IMF states that "existing law on the auditing profession should be modified to improve regulation of the auditing profession" (p. 37).

Principle VI: The Responsibilities of the Board

Level of Compliance: Insufficient Information

According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, provisions of the Corporate Governance Code provide that at least one-third of directors be independent, and the majority of directors shall be non-executives. Regarding the board of directors, a suitable balance between the numbers of executive, non-executive, and independent directors should be maintained. Director shall also exercise their powers and undertake their obligations with due care, diligence, and skill, and consider the interests of the company and shareholders. In addition, directors must disclose to the company all their positions in other public companies and any other significant obligations. The study further notes that the board shall submit a Corporate Governance Compliance Report to the ESCA on an annual basis. The Corporate Governance Guidelines for UAE Bank Directors were drafted by the Central Bank of the UAE in May 2006. However, the available sources do not directly address the UAE's compliance with this principle.

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Emirates Securities and Commodities Authority (ESCA)

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Standard : Effective Insolvency and Creditor Rights Systems

Level of Compliance: Insufficient Information

Summary

The 2008 U.S. Department of Commerce report indicates that bankruptcy issues in the UAE are governed by the Federal Commercial Code (Law No. 18, promulgated in 1993). Although this law defines the procedures and effects of bankruptcy in the UAE, the Department of Commerce notes Western legal experts' opinions that the chapter does not offer an apparatus to properly evaluate and distribute the assets of a bankrupt company. In 2004, the Dubai International Financial Center (DIFC) Insolvency Law, which applies in the jurisdiction of the DIFC, was issued. The DIFC was established in 2004 as an onshore capital market designated as a financial free zone. However, no further information is publicly available upon which to base an assessment as to the UAE's overall level of compliance with Principles and Guidelines for Effective Insolvency and Creditor Rights Systems developed by the World Bank.

General Overview

According to the U.S. Department of Commerce's (DoC) 2008 report, the first comprehensive legislation in the United Arab Emirates (UAE) on bankruptcy is provided in the federal commercial code. The report notes that Western legal experts are of the opinion that the code does not offer an apparatus to properly evaluate and distribute the assets of a bankrupt company. However, it does provide the legal framework governing the procedures and effects of bankruptcy in the UAE. The Bertelsmann Stiftung 2007 report indicates that Abu Dhabi uses Shari'ah law to resolve commercial disputes.

The DoC adds that commercial disputes in the UAE are generally resolved by arbitration, the parties themselves, or recourse to the legal system. Commercial disputes involving foreign parties are brought before the federal civil courts, where a panel of three judges ordinarily hears commercial disputes. Specific cases regarding banks and financial institutions must be heard by civil courts. At the level of the individual emirates, the procedures differ. Some emirates, like Abu Dhabi and Dubai, have commercial disputes brought before a conciliation department established under their chambers of commerce. The UAE courts enforce judgments of foreign courts, as long as there is reciprocity based on bilateral or international treaties.

The International Monetary Fund's (IMF) 2007 report notes that, aside from federal criminal law matters (including anti-money laundering law), all other activities within the Dubai International Financial Center (DIFC) are governed by laws specific to the DIFC. The DIFC was established in 2004 to introduce a "financial free zone," within the emirate of Dubai in the UAE. According to its website, the DIFC was established as part of the larger vision of the government to create an environment for growth, progress, and economic development in the UAE and the wider region. The IMF's 2007 report indicates that the DIFC has adopted a full set of laws, including an insolvency law (in 2004), trust law, personal property law, and employment law. The laws have largely been based on the UK common law.

The World Bank's 2008 "Doing Business in the UAE" snapshot of closing a business evaluates the effectiveness of the insolvency regime in the UAE along three dimensions: the average time (in years) to complete a bankruptcy proceeding, the average cost of such proceedings (as a percentage of the estate), and the recovery rate to creditors (expressed in

cents on the dollar). For the UAE, the time averages 5.1 years, and the cost is, on average, 30% of the estate. Creditors recover, on average, 10.1 cents on the dollar. By comparison, member states of the Organization for Economic Cooperation and Development average 1.3 years, 7.5% of the estate in costs, and a recovery rate of 74.1 cents on the dollar. By regional comparison, neighboring states' time averages 3.7 years, while the cost on average is 13.9 of the estate and the recovery rate is 25.8 cents on the dollar.

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Abu Dhabi Commercial Conciliation and Arbitration Centre (ADCCAC)

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Federal National Council (FNC)

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Standard : Core Principles for Effective Banking Supervision

Level of Compliance: Compliance In Progress

Summary

At the time of the International Monetary Fund's (IMF) 2003 Financial System Stability Assessment (FSSA), the UAE was already fully or largely compliant with the Basel Core Principles (BCPs) for Effective Banking Supervision. Shortcomings were identified with regards to enforcement powers of the Central Bank of the UAE (CBU), the legal protection of supervisors, oversight of financial institutions, and formal cooperation and exchange of information, but the systemic threats from these shortcomings were deemed minor. In 2007, the IMF completed an update of the 2003 FSSA. The 2007 IMF report benchmarks the UAE's banking supervisory practices with the new 2006 BCPs and Methodology. Although the UAE shows a high degree of compliance with the 2006 BCPs, a number of the weaknesses and challenges identified in the 2003 assessment remain to be addressed. The bank ownership structure reflects the prevalent role of the state and of government related entities, complemented by an active private sector. Pursuant to the Banking Law of 1980, the CBU was established as the banking supervisory authority. Since 2004, as stated in the IMF's 2007 report, the CBU has been intensively preparing for the implementation of Basel II.

General Overview

The International Monetary Fund (IMF) conducted a Financial Sector Assessment Program (FSAP) in September 2001 of the United Arab Emirates (UAE), and reported its findings in its 2003 Financial System Stability Assessment (FSSA). The IMF report concluded that banking supervision in the UAE was either fully or largely compliant with the Basel Core Principles (BCPs) for Effective Banking Supervision. Shortcomings were identified with regard to enforcement powers of the Central Bank of the UAE (CBU), legal protection of supervisors, oversight of financial institutions, and formal cooperation and exchange of information. The IMF's 2003 report noted that the systemic threats arising from areas where weaknesses were found were not significant, and in many cases actual practices appeared more up-to-date and detailed than the underlying regulations and circulars. In 2007, the IMF completed an update of the 2001 FSAP. However, the Update benchmarks the banking supervisory practices against the new 2006 BCPs and Methodology. As of 2007, the UAE showed a high degree of compliance with the 2006 BCPs. Authorities of the UAE also plan to implement an important agenda for strengthening the banking system and its prudential and regulatory oversight. However, several weaknesses and challenges identified in the IMF's 2003 assessment still need to be addressed. Since 2004, CBU has been intensively preparing for the implementation of Basel II.

The regulatory framework for banking supervision in the UAE is mainly comprised of the Union Law No. 10 Concerning the Central Bank, the Monetary System and Organization of Banking of 1980 (hereafter referred to as "Banking Law"). Pursuant to the Banking Law, the CBU was established as the banking supervisory authority in the UAE, replacing the Currency Board which was set up in 1973. The Banking Law gives the CBU full responsibility for banking supervision, and grants it powers to issue circulars to regulate banks' activities. According to the IMF's 2003 FSSA, the legal framework at the time was reasonably up to date, due to the CBU's practice over the years of issuing circulars and letters to implement any necessary improvements.

Strong economic growth and high revenues from oil have led to sustained growth in the banking industry in the UAE. Banks in the UAE are basically classified as national and foreign banks. Foreign banks are not allowed to operate more than eight branches. As noted in a 2007 report by the Global Investment House (GIH), "currently, there are 46 banks operating in UAE, including branches and offices of foreign banks. There are 21 national banks in UAE, all of which are listed either on Abu Dhabi Securities Market (ADSM) or Dubai Financial Market (DFM)" (p. 1). Other than the national banks, UAE has 25 foreign banks, two specialized banks, and around 50 representative offices of other foreign banks. As a member of the World Trade Organization, the UAE has been under pressure to open up its banking sector to foreign competition. The 2007 GIH report notes that the CBU indicated in late 2004 that it would issue new licenses, although there is no record of it so far. The report also notes that total non-performing loans of banks decreased by about 15 percent from 2004 to 2005, amounting to 1.7% of the banks' aggregate loan portfolio at the end of year 2005. Furthermore, consolidated assets of the banking sector grew by 41.9%, and total banking assets reached USD 174 billion in late 2005.

The UAE has 37 free trade zones and one financial free zone (FFZ), according to the U.S. Department of State International Narcotics Control Strategy Report. The Dubai International Financial Centre (DIFC) was established in 2004 as the first FFZ, focusing on banking services, insurance and reinsurance, capital markets, and asset management. According to the IMF's 2007 FSSA, the establishment of the DIFC has fostered competition in the UAE financial markets. The IMF states, however, that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

Further information on compliance with the principles of this standard is provided below.

1. (1) Clear responsibilities and objectives for each supervisory agency.

Level of Compliance: Insufficient Information

The objectives and supervisory responsibilities of the CBU are set out under the Banking Law, as noted in the IMF's 2003 FSSA. The CBU website adds that the Banking Law notably empowers the CBU to "organize and promote banking and supervise [sic] over the effectiveness of the banking system." The Law further grants extensive powers to the CBU in order to regulate the banking sector through circulars and to verify compliance with regulations. However, the available sources do not directly address UAE's compliance with this principle.

1.(2) Operational independence and adequate resources.

Level of Compliance: Insufficient Information

Pursuant to the Banking Law, the CBU was granted administrative and budgetary autonomy, as noted in the IMF's 2003 FSSA. As an integral part of the CBU's budget, the supervisory department was also granted additional resources. However, the available sources do not directly address UAE's compliance with this principle.

1.(3) A suitable legal framework for authorization and ongoing supervision.

Level of Compliance: Insufficient Information

Pursuant to the Banking Law, the CBU was established as the banking supervisory authority in the UAE. According to the IMF's 2003 FSSA, the legal framework was reasonably up to date because, over the years, the CBU had issued a large number of circulars and letters to implement any necessary improvements. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

1.(4) A suitable legal framework to address compliance with laws as well as safety and soundness concerns.

Level of Compliance: Insufficient Information

See Principle 1(3).

1.(5) Legal protection for supervisors.

Level of Compliance: Insufficient Information

The IMF's 2007 report (based on the 2006 BCPs) reiterates the FSAP recommendation to establish "explicit legal protection of banking supervisors' good faith actions in exercising their duties" (p. 44). Nonetheless, the available sources do not directly address UAE's compliance with this principle.

1.(6) Arrangement for sharing of information between supervisors and protection of confidentiality of shared information.

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended that there should be regular contact between the CBU and insurance regulators to enhance supervision of groups containing both banks and insurance companies. Moreover, the CBU should have access to prudential returns for insurance companies in such groups. The IMF's 2007 report (based on the 2006 BCPs) commends the CBU's efforts to establish and ameliorate arrangements for information-sharing between supervisors. In this context, the CBU is encouraged to implement Memoranda of Understanding (MoUs) with the Emirates Securities and Commodities Authority, the Dubai Financial Services Authority, and the Insurance Commission of the Ministry of Economy for formal cooperation and exchange of supervisory information. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

2. Clearly defined permissible activities for banks and control of the use of the word 'bank'.

Level of Compliance: Insufficient Information

The Banking Law defines banks and prevents any other institution from using the term "bank," as stated in the IMF's 2003 FSSA. However, there is insufficient information publicly available as to UAE's compliance with this Principle.

3. Criteria for structure, directors, operating plan, controls, financial condition and capital base.

Level of Compliance: Insufficient Information

As stated in the IMF's 2003 FSSA, the CBU has sole authority for the licensing of banks. The IMF report recommended implementing specific licensing criteria in order to enhance transparency, and ensure that applications were treated in a consistent and efficient manner. In 1982, per the same report, the Board of Directors of the CBU imposed a moratorium on licensing new banks. In 2006, according to the IMF's 2007 FSSA, three foreign banks from Gulf Cooperation Council (GCC) countries and two local Islamic banks were issued a license to conduct business. In light of this liberalization, the IMF recommends granting licenses to non-GCC foreign banks. The UAE is a member of the GCC, which includes Saudi Arabia, Kuwait, Oman, Qatar, and Bahrain. However, the available sources do not directly address UAE's compliance with this principle.

4. Authority to review and reject transfer of ownership.

Level of Compliance: Insufficient Information

According to the IMF's 2003 FSSA, the CBU is required to pre-approve holdings of listed banks exceeding five percent. Moreover, a 25 percent limit is imposed on banks' holdings in commercial companies. The IMF report recommended establishing procedures for such pre-approvals within the CBU and non-listed banks. In its 2007 assessment, based on the 2006 BCPs and its accompanying methodology, the IMF recommends that the CBU "be informed of proposed changes of significant ownership, including beneficial ownership of all banks" (p. 46). The IMF further advises establishing explicit review and approval procedures. However, the available sources do not directly address UAE's compliance with this principle.

5. Authority to review major acquisitions and investments.

Level of Compliance: Insufficient Information

See Principle 4.

6. Minimum capital adequacy requirements (meet Basle Capital Accord for internationally active banks).

Level of Compliance: Insufficient Information

The overall regulatory framework for prudential regulations and requirements was sound at the time of the IMF's 2003 assessment. Moreover, the CBU set a minimum risk-weighted solvency requirement of 10 percent for banks. In this context, the IMF recommended bringing the risk weighting of exposures to other GCC countries in line with the Basel Capital Accord. According to the IMF's 2007 FSSA, the banking sector as a whole shows comfortable levels of capitalization and profits, and benefits from a steady decline in the number of non-performing loans. The report states that the CBU created a working group in 2005 for the implementation of Basel II. The IMF report advises the CBU to "pursue and finalize the planned implementation of Basel II, including the issuance of the necessary guidelines" (p. 48). Nonetheless, the available sources do not directly address UAE's compliance with this principle.

7. A method exists for the evaluation of procedures related to loans, investments and portfolio management.

Level of Compliance: Insufficient Information

According to the IMF's 2003 FSSA, the overall regulatory framework for prudential regulations and requirements is sound. Moreover, credit policies and procedures for loan classification and loss provisioning appear good. However, there is insufficient information publicly available as to the UAE's compliance with this Principle.

8. Policies, practices and procedures for evaluating the quality of assets and the adequacy of loan loss provisions and reserves.

Level of Compliance: Insufficient Information

The overall regulatory framework for prudential regulations and requirements was sound at the time of the IMF's 2003 assessment. Moreover, credit policies and procedures for loan classification and loss provisioning appeared good. With regard to problem assets, provisions, and reserves, the 2007 IMF assessment based on the 2006 BCPs and its accompanying methodology recommends that the CBU tighten its classification of impaired credit, namely when payments have fallen 90 days in arrears. The IMF further recommends introducing general loan-loss reserves. However, the available sources do not directly address UAE's compliance with this principle.

9. Prudential limits and management information system on concentration of exposure.

Level of Compliance: Insufficient Information

While the IMF's 2003 FSSA found the UAE's overall regulatory framework for prudential regulations and requirements to be sound, some weaknesses remained in the area of large exposures' regulation. With regard to large exposures, the IMF's 2007 report confirms the 2001 FSAP recommendation to include off-balance sheet items and inter-bank exposures to UAE banks with maturities of less than 12 months in the definition of large exposures. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

10. Arm's length rule and monitoring for connected lending.**Level of Compliance: Insufficient Information**

According to the IMF's 2003 FSSA, the overall regulatory framework for prudential regulations and requirements is sound. Moreover, supervisory practices exceeded regulation in some cases. The CBU ensures that lending to major shareholders was carried out on an arm's-length basis even though it is not explicitly required by regulation. The IMF report advised the CBU to bring the legislation up to practice, and to introduce explicit requirements that loans to major shareholders be granted on an arm's-length basis. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

11. Policies and procedures for country risk and transfer risk.**Level of Compliance: Insufficient Information**

In its 2003 assessment, the IMF stated that the overall regulatory framework for prudential regulations and requirements was sound. Nevertheless, the available sources do not directly address UAE's compliance with this principle.

12. Measuring and monitoring market risk. Limit and/or specific capital charge on market risk exposure.**Level of Compliance: Insufficient Information**

While the IMF's 2003 FSSA found the overall regulatory framework for prudential regulations and requirements to be sound, there was a need for market risk regulations in line with UAE market developments. The IMF recommended issuing guidelines or circulars requiring banks to institute adequate policies and procedures for the identification, measurement and control of market risk. With regard to market risks, the IMF's 2007 report advises the CBU to "pursue and finalize the planned implementation of Basel II, including the issuance of the necessary guidelines" (p. 48). Nonetheless, the available sources do not directly address UAE's compliance with this principle.

13. Comprehensive risk management processes.**Level of Compliance: Insufficient Information**

According to the IMF's 2003 FSSA, the overall regulatory framework for prudential regulations and requirements was sound but noted that there was no effective comprehensive risk management framework. The IMF recommended introducing explicit requirements for banks to have a comprehensive risk management process in order to identify, measure, and control material risks. According to the IMF's 2007 FSSA, the CBU has introduced a comprehensive risk-assessment approach. Regarding operational risks, the IMF advises the CBU to "pursue and finalize the planned implementation of Basel II, including the issuance of the necessary guidelines" (p. 48). Nonetheless, the available sources do not directly address the UAE's compliance with this principle.

14. Adequate internal controls.

Level of Compliance: Insufficient Information

As stated in the IMF's 2003 FSSA, the CBU requires banks to set up adequate internal control systems to identify and control large exposures. However, there is insufficient information publicly available as to UAE's compliance with this principle.

15. Strict "know-your-customer" rules and high ethical and professional standards.**Level of Compliance: Insufficient Information**

The overall regulatory framework for prudential regulations and requirements is sound, as stated in the IMF's 2003 FSSA. Revised regulations were introduced at the time of the 2003 assessment to bring the anti-money laundering (AML) regime in line with international best practices. The CBU also conducts annual on-site inspections to verify compliance with the AML requirements, and exchanges information on AML issues with foreign banking supervisors. According to the IMF's 2007 FSSA, several key laws have been approved in the area of AML and combating the financing of terrorism, including the 2002 Federal AML Law No. 4, and the 2004 Federal Law No. 1 on Combating Terrorism Offences. However, the report notes that, although the basic framework is in place, UAE's legal framework for combating money laundering and terrorist financing needs further strengthening in some areas. With regard to the abuse of financial services, the 2007 report confirms the 2001 FSAP recommendation to protect bank employees from being held liable for reporting suspicious transactions to the compliance officer of the CBU. Per the same report, this protection is set forth in the 2002 Federal AML Law No. 4. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

16. Effective supervisory system consisting of on-site and off-site supervision.**Level of Compliance: Insufficient Information**

According to the IMF's 2003 FSSA, the CBU maintains an extensive and efficient on-site inspection program combined with off-site supervision to assess banks on a quarterly basis. Pursuant to the Banking Law, the CBU also benefited from unlimited access to banks' books, accounts, and documents. The IMF report recommended enhancing transparency of supervisory practices and requirements by holding regular meetings with external auditors. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

17. Regular contact with bank management and understanding of bank's operations.**Level of Compliance: Insufficient Information**

As stated in the IMF's 2003 FSSA, the extensive on-site inspection program ensures regular contact between supervisors and bank management. However, the available sources do not directly address UAE's compliance with this principle.

18. Analytical reports and statistical returns on solo and consolidated basis.**Level of Compliance: Insufficient Information**

There is insufficient information publicly available as to UAE's compliance with this principle.

19. Independent validation of supervisory information through on-site examination or external auditors.**Level of Compliance: Insufficient Information**

As stated in the IMF's 2003 FSSA, the CBU validates supervisory information through the annual on-site inspections. However, the available sources do not directly address UAE's compliance with this principle.

20. Ability to supervise on a consolidated basis.

Level of Compliance: Insufficient Information

In its 2007 FSSA, the IMF recommends establishing formal MoUs among the supervisory authorities to ensure more systematic coordination, information-sharing, and consolidated supervision of financial conglomerates. However, the available sources do not directly address UAE's compliance with this principle.

21. Consistent accounting policies and practices that provide a true and fair view of the financial condition of the bank.

Level of Compliance: Insufficient Information

UAE banks are required to publish their annual accounts in accordance with the International Accounting Standards (IAS) since 2000, as stated in the IMF's 2003 FSSA. Accounts also have to be approved by the CBU before their publication. The IMF further noted that external auditors are responsible for ensuring that accounts are in line with the IAS. In its 2007 FSSA, the IMF recommends enacting an accounting law in order to "adopt international financial reporting standards (IFRS) for public companies and create a national accounting standard for other companies" (p. 8). According to the Accounting Standards Update, available from the Deloitte & Touche IAS Plus website, all banks in the UAE are required by the CBU to publish IFRS financial statements. However, there is insufficient information publicly available as to UAE's compliance with this Principle.

22. Adequate supervisory measures to ensure timely corrective action.

Level of Compliance: Insufficient Information

As stated in the IMF's 2003 FSSA, the Banking Law grants supervisors almost unlimited power to request general or individual changes to policy, organization, and similar items. Moreover, supervisors can impose sanctions on banks in case of noncompliance with the law, ultimately leading them to lose their license. With regards to corrective and remedial powers of the supervisor, the IMF's 2007 report recommends amending existing administrative penalties under the Banking Law to expand the enforcement powers of the CBU for prompt corrective action. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

23. Banking supervisors must practice global consolidated supervision over their internationally-active banking organizations.

Level of Compliance: Insufficient Information

Based on the findings of the IMF's 2003 FSSA, the CBU supervises the overseas operations of UAE banks and performs on site examinations. Despite a lack of formal agreements, relationships with overseas banking supervisors appeared to be good with respect to the exchange of information, regular meetings, and mutual access to overseas operations. The IMF added that, as of 2003, no UAE bank had opened a branch in a country with secrecy laws. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

24. International exchange of information with other supervisors.

Level of Compliance: Insufficient Information

The IMF's 2003 FSSA found that, despite a lack of formal agreements, relationships with overseas banking supervisors appeared to be good with respect to the exchange of information, regular meetings, and mutual access to overseas operations. Nevertheless, the available sources do not directly address UAE's compliance with this principle.

25. Supervision of local operation of foreign banks and information sharing with home country supervisors.

Level of Compliance: Insufficient Information

Foreign banks were subject to a regulatory regime similar to domestic banks, including the same type of inspection programs, as stated in the IMF's 2003 FSSA. Pursuant to the Banking Law, branches of foreign banks had to maintain separate accounts for all their operations in the UAE. Foreign banks were also required to allocate capital for their UAE branch operations, and each branch was considered a stand-alone entity for regulatory requirements. The IMF report further noted that home-country supervisors were given access to local branches on a regular basis. However, the available sources do not directly address UAE's compliance with this principle.

ANNEX

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<http://www.imf.org/external/pubs/ft/scr/2007/cr07357.pdf>

Relevant Organizations

Central Bank of the United Arab Emirates (CBU)

<http://www.centralbank.ae/index.php>

Dubai Financial Services Authority (DFSA)

http://www.dfsa.ae/dfsa/legislation/anti_money_laundering/

Dubai International Financial Center (DIFC)

<http://www.difc.ae/>

Emirates Securities and Commodities Authority (ESCA)

<http://www.sca.ae/english/>

Gulf Cooperation Council (GCC)

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Standard : Core Principles for Systemically Important Payment Systems

Level of Compliance: Insufficient Information

Summary

In 2003, the International Monetary Fund (IMF) conducted a Financial System Stability Assessment (FSSA) of the systemically important payment systems operating in the UAE at the time. This was the Testkey Telex Transfer System (TTTS) and the Check Clearing System (CCS). The assessment concluded that these systems were near or up to international standards; that the Central Bank of the United Arab Emirates' (CBU) payment procedures and systems were sufficient, practical, and efficient; and that they appeared adequate to meet UAE banking needs. However, subsequent to the 2003 FSSA, the UAE established a new automated real time gross settlement (RTGS) inter-bank payment system that entirely replaced the previous TTTS. There is little information publicly available addressing this new system's compliance with the Committee on Payment and Settlement Systems' Core Principles for Systemically Important Payment Systems. In 2003, the FSSA made the following recommendations: improving the CBU's overdraft procedures; increasing automation and computerization of UAE's payment systems; moving from next day settlement to settlement on the same day; and increasing the capacity and risk protection of the existing systems. The UAE authorities agreed with these recommendations and, per a 2006 IMF report, have recently taken measures to implement these recommendations. For example, automation and computerization have been expanded since the implementation of the RTGS system.

General Overview

According to the 2003 International Monetary Fund (IMF) Financial System Stability Assessment (FSSA), the two main domestic payment systems - namely the Testkey Telex Transfer System (TTTS) and the Check Clearing System (CCS) - were near or up to international standards. The ROSC also indicated that the Central Bank of United Arab Emirates' (CBU) payment procedures and systems were sufficient, practical, and efficient and appeared adequate to meet UAE banking needs. However, the IMF's 2004 Article IV Consultation report noted that in August 2003, the CBU implemented an automated real time gross settlement (RTGS) inter-bank payment system that entirely replaced the previous Testkey Telex Transfer System. There is insufficient information publicly available as to the new RTGS system's compliance with the Core Principles for Systemically Important Payment Systems (CPSIPS).

Developed in-house to maintain full control over the facilities, the Inter-bank Funds Transfer System (IFTS) that replaced the Telex system is an RTGS system for funds transfer between banks; cash withdrawal/deposit, pre-authorization; account status monitoring; and account reconciliation facilities. According to the CBU website, the system has reduced systemic risk, eliminated the need for Central Bank intervention in inter-bank payments, and streamlined cash-handling services. Transfer through ITTS increased from AED101.9 billion in March 2003 to AED327.1 billion in March 2006. The FSSA indicated that, while the payment systems in the UAE are not governed by any specific law, the 1980 Union Law Concerning the Central Bank, the Monetary System and Organization of Banking (henceforth referred to as the Banking Law) authorizes the CBU to operate and supervise domestic payment systems. It is not clear whether the Banking Law applies to the IFTS. To hedge against credit and liquidity risk, payment system participants (i.e. commercial banks), are required to maintain several accounts with the CBU in both dirham and foreign currencies. The dirham-denominated current accounts are used to settle all cash withdrawals and deposits, as well as CCS and TTTS transactions. The CBU

may grant overdrafts to commercial banks faced with temporary liquidity shortages on an ad-hoc basis, and the rules governing overdraft procedures are publicly available in a circular on the internet, even though the amounts of overdrafts are not disclosed

According to the IMF's 2003 report, the paper-based Check Clearing System (CCS) settles in T+1 (i.e. the day after they are presented at the CBU). Once checks are accepted, transactions are irreversible, because "this form of finality, as practiced, poses no serious finality risk since the CBU monitors all transactions in settlement" (p. 43). On the other hand, the TTTS settled on a same-day gross basis. Because the TTTS did not settle in real time, not all transactions were deemed irrevocable. The IMF's 2005 Article IV Consultation notes that, despite the launch and subsequent expansion of the UAE's RTGS system and the resultant phasing out of inefficient and outdated Telex transactions, the UAE payment system is still based on T+1. However, the report predicted that, once the image-based settlement system was introduced in 2005, the settlement system would be upgraded to T+0. In a January 2008 Central Bank publication, the CBU announced that it would officially launch the Image Cheque Clearing System (ICCS) in July 2008, after a three-month test-run. While the CBU considered the test-run successful, it remains to be seen whether the introduction of the new system will have the desired effect.

According to the FSSA, assets used for settlement are claims on the central bank. Payment system participants (i.e. commercial banks) maintain three accounts with the CBU for the purpose of settling payment obligations. Banks hold a single current account in dirhams for the settlement of payments, and another account in dirhams for reserve maintenance. The dirham-denominated current accounts are used to settle all cash withdrawals and deposits, as well as all CCS transactions. A third account is held in U.S. dollars for reserve requirements against foreign exchange-denominated deposits (all foreign exchange is converted to U.S. dollars upon deposit). The operation of the Testkey Telex Transfer System (TTTS) and the Check Clearing System (CCS) required a considerable reliance on manual systems and input, thus failing to ensure a high degree of security and operational reliability. Since the 2003 launch of the automated RTGS, the CBU reports that the UAE payment system has improved in durability and operational reliability. For instance, the CBU states on its website that transfers through the new RTGS increased from AED101.9 billion in March 2003 to AED327.1 billion in March 2006.

Further information on compliance with the principles of this standard is provided below.

I. The system should have a well-founded legal basis under all relevant jurisdictions.

Level of Compliance: Insufficient Information

The International Monetary Fund's 2003 FSSA identified two systemically important payment systems in the UAE: the TTTS and the CCS. However, subsequent to the 2003 FSSA, the TTTS was replaced by the IFTS. The IFTS is an automated real time gross settlements inter-bank payment system for large inter-bank transfers that entirely replaced the previous system. The TTTS is no longer used for any transfers, and all transfers are now made electronically, a marked improvement in automation and computerization. There is little information publicly available as to the UAE's compliance with this principle since the 2003 FSSA did not assess the now operational IFTS.

According to the FSSA, the payment systems in the UAE are not governed by any specific law. However, the 1980 Banking Law authorizes the CBU to operate and supervise the two domestic payment systems. Chapter Two, Articles 5 and 8 of the Banking Law specifically empower the central bank to run a centralized accounting system through which all inter-bank payments are settled. The two main systems were developed on the basis of the Banking Law, according

to the CBU website. The FSSA points out that rules need to be implemented to enable the CBU to arrange inter-bank transfers. In its 2004 Article IV Consultation with the UAE, the IMF stated that the UAE had improved the supervision and efficiency of the financial sector. However, necessary amendments to the Banking Law were delayed due to technical considerations.

II. The system's rules and procedures should enable participants to have a clear understanding of the systems impact on each of the financial risks they incur through participation in it.

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF stated that even though internal procedures existed, the system was not fully transparent. In its 2006 Article IV report, the IMF states that the rules for overdrafts are now publicly available on the internet. However, the amounts of overdrafts are not disclosed.

III. The system should have clearly defined procedures for the management of credit risks and liquidity risks, which specify the respective responsibilities of the system operator and the participants and which provide appropriate incentives to manage and contain those risks.

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF stated that the main rules and procedures governing the TTTS and the CCS, including those pertaining to the management of credit and liquidity risks, are listed in the circulars issued by the CBU, and the central bank is also responsible for ensuring compliance with these circulars. Overall, according to the FSSA, the CBU "takes the lead in proposing payment system policy initiatives and reforms" (p. 41). To hedge against credit and liquidity risk, the payment system participants (i.e. commercial banks), are required to maintain several accounts in both dirham and foreign currencies with the CBU. The dirham-denominated current accounts are then used to settle all cash withdrawals and deposits, as well as CCS and TTTS transactions. The CBU may grant overdrafts to commercial banks faced with temporary liquidity shortages on an ad-hoc basis, and the rules governing the overdraft procedure are publicly available in a circular on the internet, even though the amounts of overdrafts are not disclosed. However, overdrafts were granted infrequently, and the CBU did not require specific collateral to secure the total obligation. The report further noted that though the CBU may grant overdrafts on an ad-hoc basis, access to such facilities were by no means assured. Among its recommendations, the FSSA noted that the CBU should review its procedures for providing overdrafts and should provide loans to banks against proper collateral. In its 2006 Article IV report, the IMF states that "lending is still made without requiring proper collateral, but the amount of the loan cannot exceed reserves on deposit with the CBU, so the loan can be recovered by seizing required reserves" (p. 49).

IV. The system should provide prompt final settlement on the day of value, preferably during the day and at a minimum at the end of the day. (Systems should seek to exceed the minima included in this Core Principle.)

Level of Compliance: Insufficient Information

According to the 2003 IMF FSSA, the CCS, a paper-based system, settles in T+1 (i.e. the day after they are presented at the CBU), because once checks are accepted, transactions are irreversible, adding that "this form of finality, as practiced, poses no serious finality risk since the CBU monitors all transactions in settlement" (p. 43). The IMF's 2005 Article IV Consultation notes that, despite the launch and subsequent expansion of the UAE's RTGS system in 2004 and the resulting phasing out of inefficient and outdated telex transactions, the UAE payment system is still based on T+1. However, the report noted that, once the image-based settlement system was introduced in 2005, the settlement system will be upgraded to T+0. The CBU announced in January 2008 that it would officially launch the Image Cheque

Clearing System in July 2008 after a three-month test-run. While the CBU considered the test-run successful, it remains to be seen whether the introduction of the new system will have the desired effect.

V. A system in which multilateral netting takes place should, at a minimum, be capable of ensuring the timely completion of daily settlements in the event of an inability to settle by the participant with the largest single settlement obligation. (Systems should seek to exceed the minima included in this Core Principle.)

Level of Compliance: Insufficient Information

Refer to Principle IV.

VI. Assets used for settlement should preferably be a claim on the central bank; where other assets are used, they should carry little or no credit risk and little or no liquidity risk.

Level of Compliance: Insufficient Information

The 2003 IMF FSSA notes that payment system participants (i.e. commercial banks) are required to maintain three accounts with the CBU for the purpose of settling payment obligations. Banks hold a single current account in dirhams for the settlement of payments and another account in dirhams for reserve maintenance. The dirham-denominated current accounts are used to settle all cash withdrawals and deposits, as well as all CCS and TTTS transactions. A third account is held in U.S. dollars for reserve requirements against foreign exchange-denominated deposits (all foreign exchange is converted to U.S. dollars upon deposit).

VII. The system should ensure a high degree of security and operational reliability and should have contingency arrangements for timely completion of daily processing.

Level of Compliance: Insufficient Information

According to the 2003 IMF FSSA, the operation of the Testkey Telex Transfer System and the Check Clearing System required a considerable reliance on manual systems and input, thus failing to ensure a high degree of security and operational reliability. Since the 2003 launch of the automated real time gross settlements system, the CBU reports that the UAE payment system has improved in durability and operational reliability. For instance, the CBU states that transfer through the new RTGS increased from AED101.9 billion in March 2003 to AED327.1 billion in March 2006. It is not clear what the contingency arrangements are for timely completion of daily processing under the new system. Also, since the FSSA was conducted prior to the full implementation of the RTGS system and does not take the functioning of this system into consideration, there is insufficient information publicly available as to the UAE's compliance with this principle.

VIII. The system should provide a means of making payments which is practical for its users and efficient for the economy.

Level of Compliance: Insufficient Information

The 2003 IMF FSSA found that both the TTTS and the CCS worked efficiently, but raised concerns that an increase in payment volume would necessitate changes, since procedures called for considerable manual inputs. In other words, there were serious indications of system inefficiencies, since the system did not have the capacity to handle significant growth in payment volumes. As a result, the FSSA recommended the adoption of a more advanced automatic system that would increase payment system capacity and provide greater protection from operational risks. Subsequent to the publication of the FSSA, the CBU implemented an automated real time gross settlements inter-bank payment system that entirely replaced the TTTS. However, since the FSSA was conducted prior to the full implementation of the RTGS

system and does not take the functioning of this system into consideration, there is insufficient information publicly available as to the UAE's compliance with this principle.

IX. The system should have objective and publicly disclosed criteria for participation, which permit fair and open access.

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF noted that the criteria for participation in the TTTS (now discontinued) and CCS systems were objective and publicly disclosed. Since the introduction of the new RTGS system, there is little information publicly available addressing the UAE's compliance with this principle.

X. The system's governance arrangements should be effective, accountable and transparent.

Level of Compliance: Insufficient Information

According to the 2003 IMF FSSA, "the CBU's procedures and systems applicable to payments are sufficient, practical and efficient and appear adequate to meet current UAE needs" (p. 42). However, the ROSC was conducted prior to the full implementation of the RTGS system and does not take the functioning of this system into consideration. Therefore, there is insufficient information publicly available as to the UAE's compliance with this principle. Nevertheless, the FSSA noted that, even though internal CBU procedures were in place, transparency practices in payment systems operations were weak. To improve transparency, the IMF recommended the CBU publish more information on its operations, such as issuing a document describing the functioning of the payment systems and the CBU's role in this and fully disclosing the procedures for overdraft, including listing overdraft amounts in the CBU's balance sheets. The 2006 IMF Article IV Consultations points out that the UAE has made partial progress in adopting these recommendations. For instance, the rules for overdrafts are now publicly disclosed in a readily available circular that is also posted online. But the amounts of the overdrafts are still not publicly disclosed.

A. The central bank should define clearly its payment system objectives and should disclose publicly its role and major policies with respect to systemically important payment systems.

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF noted that the CBU owned and operated all payment systems in the UAE. Subsequent to the 2003 FSSA, a new RTGS system was established in the UAE and there is little information publicly available regarding the application of CPSIPS for this system. The 2003 IMF report noted that neither the CBU's roles, responsibilities and objectives of operating and overseeing the payment systems, nor the functioning of the payment systems are publicly described and explained. Furthermore, the report noted that procedures for the overdraft facility are not publicly disclosed. The IMF recommended that the CBU publish more information on its operations, such as issuing a document describing the functioning of the payment systems and the CBU's role in this and fully disclose the procedures for overdraft, including listing overdraft amounts in the CBU's balance sheets. The IMF further recommended that system participants be provided access to full sets of CBU circulars, notes, and regulations, possibly by placing them on the CBU website. The 2006 IMF Article IV Consultations points out that the UAE has made partial progress in adopting these recommendations. For instance, the rules for overdrafts are now disclosed in a publicly available circular that is also posted online. But the amounts of the overdrafts are still not publicly disclosed.

B. The central bank should ensure that the systems it operates comply with the Core Principles.

Level of Compliance: Insufficient Information

The CBU, at the time of the 2003 FSSA, owned and operated all the payment systems in the UAE. In its capacity as the supervisor of the payment systems, the CBU is responsible for primary oversight of all payment systems. Additionally,

the 2003 FSSA concluded that "the CBU's procedures and systems applicable to payments are sufficient, practical and efficient and appear adequate to meet current UAE needs" (p. 42).

C. The central bank should oversee compliance with the Core Principles by systems it does not operate and it should have the ability to carry out this oversight.

Level of Compliance: Insufficient Information

Refer to Principle B.

D. The central bank, in promoting payment system safety and efficiency through the Core Principles, should cooperate with other central banks and with any other relevant domestic or foreign authorities.

Level of Compliance: Insufficient Information

According to the CBU website, the UAE regularly enters into memoranda of understanding (MoUs) with other central banks, particularly those in the Middle East. For instance, the CBU signed an MoU with the Central Bank of the Republic of Uzbekistan in March 2008 to facilitate the exchange of views on monetary and financial policies. Although the 2003 FSSA does not directly address this principle, the report did advise the authorities to study more advanced payment systems in countries like the U.S. and Western Europe. In response, the CBU stated that it had plans to develop a program to ensure that the UAE learns from other countries' experience in regard to payment system mechanisms.

ANNEX

Sources of Assessment

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<http://www.imf.org/external/pubs/ft/scr/2006/cr06257.pdf>

Relevant Organizations

Central Bank of the United Arab Emirates (CBU)

<http://www.uaecb.gov.ae/>

Dubai International Financial Center (DIFC)

<http://www.difc.ae/>

Relevant Legislation/Regulation

Union Law Concerning the Central Bank, the Monetary System and Organization of Banking No. 10, 1980

<http://centralbank.ae/pdf/OffGazetteB.pdf>

Circulars of the Central Bank of the United Arab Emirates

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Standard : Objectives and Principles of Securities Regulation

Level of Compliance: **Intent Declared**

Summary

The securities markets in the United Arab Emirates (UAE) consist of three exchanges: the Dubai Financial Market, the Dubai Gold and Commodities Exchange, and the Abu Dhabi Securities Market, recently renamed the Abu Dhabi Securities Exchange. The exchanges act as de facto self-regulatory organizations under the authority of the Emirates Securities and Commodities Authority (ESCA), which was established in 2000 as the regulator for the securities markets under the ESCA Law. At the time of the International Monetary Fund's (IMF) 2003 Financial System Stability Assessment (FSSA), the securities markets in the UAE were "relatively small, underdeveloped, and not systemically important." In 2007, the IMF completed an update of the 2003 report, which assessed the UAE's implementation of the International Organization of Securities Commission's Objectives and Principles of Securities Regulation. The report found that the UAE generally has the preconditions for effective regulation. However, significant shortcomings remain with regard to accounting laws; the judiciary system; the regulation of investment funds and investment advisors; shareholder protection; and the responsibilities, powers, and independence of the ESCA. A new draft securities law has been issued by the authorities for comment. The Dubai International Financial Center (DIFC) was established in 2004 as the first financial free zone in the UAE. The Dubai International Financial Exchange was created within the DIFC in 2005. In its 2007 FSSA, the IMF states that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

General Overview

The International Monetary Fund (IMF) conducted a Financial Sector Assessment Program (FSAP) in September 2001 of the United Arab Emirates (UAE), and reported its findings in its 2003 Financial System Stability Assessment (FSSA). The IMF report concluded that the UAE securities markets were "relatively small, underdeveloped and not systemically important" (p. 19). In 2007, the IMF completed an update of the earlier FSSA, in which it assessed the UAE's implementation of the International Organization of Securities Commission's (IOSCO) Objectives and Principles of Securities Regulation. As of that time, the UAE generally was found to have the preconditions for effective regulation. However, significant improvements were yet needed with regard to accounting laws; the judiciary system; the regulation of investment funds and investment advisors; shareholder protection; and responsibilities, powers, and independence of the Emirates Securities and Commodities Authority (ESCA). In November 2007, the IMF prepared a detailed assessment of observance of IOSCO principles for the Dubai International Financial Centre (DIFC) as background documentation to the 2007 FSAP Update, and found preconditions to effective securities regulation to be in place in the DIFC. The IMF states, however, that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

Securities regulation in the UAE is mainly based on the 2000 Federal Law No. 4 Concerning the Emirates Securities and Commodities Authority and Market (hereafter referred to as the "ESCA Law"), and the 1984 Federal Law No. 8 Regarding Commercial Companies (hereafter referred to as the "Companies Law"). The responsibilities of the ESCA are stated under the ESCA Law and include the authorization and supervision of the exchanges in the UAE. According to the IMF's 2007 FSSA, the ESCA has become fully operational as a regulator for the securities markets. A new draft

securities law has been issued by the authorities for comment.

According to the IMF's 2007 FSSA, the securities markets in the UAE consist of three exchanges: the Dubai Financial Market (DFM), the Dubai Gold and Commodities Exchange (DGCX), and the Abu Dhabi Securities Market, recently renamed to Abu Dhabi Securities Exchange (ADX). The DFM and the ADX were established in 2000, pursuant to the ESCA Law, whereas the DGCX began trading in 2005. The exchanges act as de facto self-regulatory organizations (SROs) under the authority of the ESCA. As noted in the Accounting Standards Update available from the Deloitte & Touche IAS Plus website, companies from the UAE, other than Dubai, are listed on the ADX alongside Abu Dhabi companies. Despite relatively high trading volumes, the 2007 FSSA found that equity markets in the UAE lacked depth and diversification. The exchanges are generally dominated by a few leading stocks, and the number of listed companies is small relative to the overall market capitalization of about US\$170 billion. It is recommended that the authorities allow foreign investors full access to the securities markets by removing restrictions on stock ownership and board membership. In addition, the authorities should encourage public listing of large, quasi-public companies on the stock exchanges to help develop the market.

The UAE has 37 free trade zones and one financial free zone (FFZ), according to the U.S. Department of State International Narcotics Control Strategy Report. The DIFC was established in 2004 as the first FFZ, focusing on capital markets, asset management, banking services, and insurance and reinsurance. The Dubai Financial Services Authority (DFSA) was created in 2004 as a separate and independent regulatory agency. The DFSA is accountable directly to the President of the DIFC, and has regulatory authority over all financial institutions within the DIFC. The Dubai International Financial Exchange (DIFX) became operational within the DIFC in September 2005. According to the IMF's 2007 FSSA, the establishment of the DIFC has fostered competition in the UAE financial markets. While trading volume on the DIFX is very low, the DIFX is the world leader in sukuk bond listings (Shari'a compliant bonds). The DIFX also hosts a clearing and settlement system, securities depository, and registry.

The IOSCO multilateral memorandum of understanding (MMoU) is based on the thirty IOSCO Objectives and Principles of Securities Regulation adopted in 1998 and the experience gathered by securities regulators in using bilateral Memoranda of Understanding (MoUs). The IOSCO MMoU provides a standardized framework for sharing enforcement-related information and a gradually expanding network of participating regulatory agencies. IOSCO members who wish to sign the IOSCO MMoU participate in a comprehensive screening process to establish that they have the legal capacity to fully comply with the terms of the IOSCO MMoU. The DFSA is a signatory to the MMoU and an ordinary member of IOSCO. It should be noted, however, that the ESCA is neither a signatory to the IOSCO MMoU, nor an ordinary member of IOSCO.

Further information on compliance with the principles of this standard is provided below.

1. The responsibilities of the regulator should be clear and objectively stated.

Level of Compliance: Insufficient Information

The responsibilities of the ESCA are stated under the ESCA Law, and include the authorization and supervision of the exchanges in the UAE, as noted in the IMF's 2007 FSSA. Per the same report, the ESCA "licenses brokers, establishes the requirements for disclosure by issuers on the exchange, oversees the surveillance of the exchanges, engages in cooperative regulation and enforcement, conducts investigations of violations, brings administrative enforcement actions, and refers matters to criminal authorities as necessary" (p. 32). However, the overall regulation of the markets

is somewhat fragmented between several different governmental agencies. In this context, the IMF recommends centralizing the regulation of the securities markets into a single regulatory body, namely the ESCA, with a clear legislative mandate. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

2. The regulator should be operationally independent and accountable in the exercise of its functions and powers.

Level of Compliance: Insufficient Information

At the time of the 2003 FSSA, the IMF questioned the ESCA's autonomy, since it was still in its infancy and lacked an independent budget. According to the 2007 FSSA Update, the ESCA has become fully operational as a regulator for the securities markets. While the ESCA has considerable operational freedom, it is not independent from the executive branch. The Minister of Economy has been appointed as chairman of the board of the ESCA, and directors have been drawn mainly from government institutions. In this context, the IMF recommends improving the ESCA's operational independence by providing "that the Chairman may not be a minister, senior executive or employee of the government; and a majority of the Board should be experienced persons who are not government employees" (p. 36). However, the available sources do not directly address UAE's compliance with this principle.

3. The regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers.

Level of Compliance: Insufficient Information

As stated in the IMF's 2007 FSSA, the ESCA "generally has the capacity and resources to perform its functions and exercise its powers" (p. 34). While the ESCA is well funded, it needs additional and qualified staff to meet its increasing responsibilities. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

4. The regulator should adopt clear and consistent regulatory processes.

Level of Compliance: Insufficient Information

In its 2007 FSSA, the IMF states that "ESCA should have a formal procedure for taking the costs of compliance into account in formulating its regulatory policy" (p. 36). The IMF report further recommends improving the regulatory processes of the ESCA "particularly in the area of judicial appeals for adverse decisions" (p. 34). More generally, the legal framework needs to be improved, notably by the training of judiciary on overseeing financial issues and disputes. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

5. The staff of the regulator should observe the highest professional standards, including appropriate standards of confidentiality.

Level of Compliance: Insufficient Information

In its 2007 FSSA, the IMF states that "ESCA should implement a formal Code of Conduct for its staff, setting forth rules for conflicts of interest" (p. 36). Nevertheless, the assessment does not directly address UAE's compliance with this principle.

6. The regulatory regime should make appropriate use of Self-Regulatory Organizations (SROs) that exercise some direct oversight responsibility for their respective areas of competence, to the extent appropriate to the size and complexity of the markets.

Level of Compliance: Insufficient Information

According to the IMF's 2007 FSSA, the ADX and DFM act as de facto SROs, which "authorize brokers to trade on the exchange, monitor the trading of securities and material event notifications to the market and bring regulatory and disciplinary acts as needed to maintain the integrity of the markets" (p. 33). The DGCX also takes up the role as SRO in the operation and regulation of the commodities exchange. It is recommended that the new securities law designate the ESCA as the overall regulator of the capital markets. Furthermore, exchanges should be formally designated as SROs that operate under the ESCA. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

7. SROs should be subject to the oversight of the regulator and should observe standards of fairness and confidentiality when exercising powers and delegated responsibilities.

Level of Compliance: Insufficient Information

See Principle 6.

8. The regulator should have comprehensive inspection, investigation and surveillance powers.

Level of Compliance: Insufficient Information

Under the ESCA Law, as stated in the IMF's 2007 FSSA, the ESCA has extensive enforcement powers that it uses regularly in examining registrants and conducting surveillance of the market. However, the assessment does not directly address UAE's compliance with this principle.

9. The regulator should have comprehensive enforcement powers.

Level of Compliance: Insufficient Information

Under the ESCA Law, as stated in the IMF's 2007 FSSA, the ESCA has extensive enforcement powers that it uses regularly in examining registrants and conducting surveillance of the market. The ESCA has issued regulations giving itself the power to fine registered entities and issuers for violations of the securities laws. Conversely, the Central Bank of the UAE (CBU) has issued regulations for the investment funds industry. It is recommended that the new securities law provide the ESCA with statutory authority to issue warnings and fines against registrants and issuers, as well as brokers. The IMF report highlights that all suspected criminal activity related to the securities markets must be evaluated by the ESCA before it is reviewed by the prosecutor's office for criminal prosecution. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

10. The regulatory system should ensure an effective and credible use of inspection, investigation, surveillance and enforcement powers and implementation of an effective compliance program.

Level of Compliance: Insufficient Information

See Principle 9.

11. The regulator should have authority to share both public and non-public information with domestic and foreign counterparts.

Level of Compliance: Insufficient Information

Under the ESCA Law, as stated in the IMF's 2007 FSSA, the ESCA has the authority to enter into MoUs for cooperative enforcement and exchange of information with foreign regulators and authorities. The disclosure of information by ESCA to a foreign authority must be approved by the Ministry of Justice or the Department of International Cooperation. It is recommended that the new securities law "provide for more specific provision setting out the procedures for establishing

MoUs and their specific characteristics" (p. 36). Nevertheless, the assessment does not directly address UAE's compliance with this principle.

The IOSCO MMoU is based on the thirty IOSCO Principles adopted in 1998 and the experience gathered by securities regulators in using bilateral MoUs. The IOSCO MMoU provides a standardized framework for sharing enforcement-related information and a gradually expanding network of participating regulatory agencies. IOSCO members who wish to sign the IOSCO MMoU participate in a comprehensive screening process to establish that they have the legal capacity to fully comply with the terms of the IOSCO MMoU. The DFSA is a signatory to the MMoU and an ordinary member of IOSCO. It should be noted, however, that the ESCA is neither a signatory to the IOSCO MMoU, nor an ordinary member of IOSCO.

12. Regulators should establish information sharing mechanisms that set out when and how they will share both public and non-public information with their domestic and foreign counterparts.

Level of Compliance: Insufficient Information

See Principle 11.

13. The regulatory system should allow for assistance to be provided to foreign regulators who need to make inquiries in the discharge of their functions and exercise of their powers.

Level of Compliance: Insufficient Information

See Principle 11.

14. There should be full, timely and accurate disclosure of financial results and other information that is material to investors decisions.

Level of Compliance: Insufficient Information

Listed companies in the UAE must prepare and distribute annual and interim reports following a general regime for disclosure of periodic financial information, as stated in the IMF's 2007 FSSA. In January 2007, per the same report, the responsibility for oversight of initial public offerings (IPOs) was transferred from the Ministry of Economy to the ESCA. In its 2007 FSSA, the IMF states that there should be a formal transfer of the IPO process and its requisite disclosures from the Ministry to the ESCA and should be patterned after international best practice. This should be accomplished through revision of the Companies Law. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

15. Holders of securities in a company should be treated in a fair and equitable manner.

Level of Compliance: Insufficient Information

As stated in the IMF's 2007 FSSA, "the Companies Law provides for basic shareholder protection and sanctions for officers and directors for misuse of powers, violations of laws, and fraud" (p. 23). However, the Law lacks provisions addressing shareholder protection, namely in the area of related-party transactions. In May 2007, the ESCA issued a Code of Corporate Governance for Joint-Stock Companies to enhance the governance practices and disclosure of listed companies. In this regard, the IMF states that "the proposed new Law on Commercial Companies should be passed and the new Code of Corporate Governance should be adopted" (p. 37). According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, provisions of the new Corporate Governance Code provide that shareholders' rights, including dividend rights, liquidation rights, voting rights, sale of share rights, and information rights, be stated in the Articles of Association of the company. Shareholders should also receive full and accurate information in order to vote

and participate in general assembly meetings. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

16. Accounting and auditing standards should be of a high and internationally acceptable quality.

Level of Compliance: Insufficient Information

According to the IMF's 2007 FSSA, UAE legislation does not provide for specific accounting standards to be used in preparing company financial reports. The IMF recommends promptly adopting an accounting standard-setting regime. Since 2003, as reported in the Accounting Standards Update available from the Deloitte & Touche IAS Plus website, all companies listed on the ADX are required to publish financial statements in line with international financial reporting standards (IFRS). Companies listed on the DIFX are also required to publish IFRS financial statements pursuant to the DIFC Companies Regulations. Auditors in the UAE are regulated under the 1995 Federal Law No. 22 Regarding Organization of the Auditing Profession. In its 2007 FSSA, the IMF states that "the existing law on the auditing profession should be modified to improve regulation of the auditing profession" (p. 37). Nonetheless, the assessment does not directly address UAE's compliance with this principle.

17. The regulatory system should set standards for the eligibility and the regulation of those who wish to market or operate a collective investment scheme.

Level of Compliance: Insufficient Information

There is a lack of legislation which addresses the responsibility for the regulation of investment funds and investment advisors, according to the IMF's 2007 FSSA. Regulation of collective investment schemes is expected to be transferred to the ESCA as soon as a new securities law is passed. In the meantime, the CBU carries out this task. It remains unclear, however, whether the regulation and supervision of investment advisors will also be transferred to the ESCA. It is recommended that the new securities law provide statutory authority for regulation of investment funds and advisors over investment. The IMF report further advises adopting a separate Collective Investment Law "to provide a more robust framework for the development of collective investments asset management, and custodial activity in securities markets" (p. 34-35). Nonetheless, the assessment does not directly address UAE's compliance with this principle.

18. The regulatory system should provide for rules governing the legal form and structure of collective investment schemes and the segregation and protection of client assets.

Level of Compliance: Insufficient Information

According to the IMF's 2007 FSSA, the ESCA Law does not contain any provisions related to collective investment schemes. In light of growth in the industry, the IMF report recommends adopting "comprehensive regulations for the structure and operation of collective investment schemes" (p.37). Nonetheless, the assessment does not directly address UAE's compliance with this principle.

19. Regulation should require disclosure, as set forth under the principles for issuers, which is necessary to evaluate the suitability of a collective investment scheme for a particular investor and the value of the investors interest in the scheme.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

20. Regulation should ensure that there is a proper and disclosed basis for asset valuation and the pricing and the redemption of units in a collective investment scheme.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

21. Regulation should provide for minimum entry standards for market intermediaries.

Level of Compliance: Insufficient Information

The ESCA Law and regulations provide for extensive regulation of brokers, as stated in the IMF's 2007 FSSA. Per the same report, the ESCA licenses intermediaries to trade on the ADX, the DFM, and the DGCX. The exchanges also approve brokers for membership on the exchange and closely monitor their activity. It is recommended that the permitted activity of brokers be expanded to allow brokers to participate more actively in the securities market. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

22. There should be initial and ongoing capital and other prudential requirements for market intermediaries that reflect the risks that the intermediaries undertake.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

23. Market intermediaries should be required to comply with standards for internal organization and operational conduct that aim to protect the interests of clients, ensure proper management of risk, and under which management of the intermediary accepts primary responsibility for these matters.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

24. There should be procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

25. The establishment of trading systems including securities exchanges should be subject to regulatory authorization and oversight.

Level of Compliance: Insufficient Information

The securities market in the UAE consists of three exchanges: the Dubai Financial Market, the Dubai Gold and Commodities Exchange, and the Abu Dhabi Securities Exchange, all regulated by the ESCA. According to the IMF's 2007 FSSA, the ESCA has a good working relationship with the exchanges, which are well organized and managed. Moreover, "up-to-date surveillance programs in use by the exchanges and ESCA provide for good market surveillance practices" (p. 36). However, the assessment does not directly address UAE's compliance with this principle.

26. There should be ongoing regulatory supervision of exchanges and trading systems which should aim to ensure that the integrity of trading is maintained through fair and equitable rules that strike an appropriate balance between the demands of different market participants.

Level of Compliance: Insufficient Information

Under the ESCA Law, as noted in the IMF's 2007 FSSA, the ESCA lacks "the authority to require amendments to the rules of the exchange or impose a range of conditions on the operator of the exchange" (p. 37). It is recommended that

the new securities law designate the ESCA as the overall regulator of the capital markets. Furthermore, exchanges should be formally established as SROs, which operate under the ESCA. Nonetheless, the assessment does not directly address UAE's compliance with this principle.

27. Regulation should promote transparency of trading.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

28. Regulation should be designed to detect and deter manipulation and other unfair trading practices.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

29. Regulation should aim to ensure the proper management of large exposures, default risk and market disruption.

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to UAE's compliance with this principle.

30. Systems for clearing and settlement of securities transactions should be subject to regulatory oversight, and designed to ensure that they are fair, effective and efficient and that they reduce systemic risk.

Level of Compliance: Insufficient Information

The DIFX hosts a clearing and settlement system, securities depository and registry, as stated in the IMF's 2007 detailed assessment of observance of IOSCO Objectives and Principles of Securities Regulation for the DIFC. However, there is insufficient information publicly available as to UAE's compliance with this principle.

ANNEX

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<http://www.imf.org/external/pubs/ft/scr/2007/cr07357.pdf>

Relevant Organizations

Abu Dhabi Securities Exchange (ADX)

<http://www.adx.ae/English/Pages/default.aspx>

Central Bank of the United Arab Emirates (CBU)

<http://www.centralbank.ae/index.php>

Department of International Cooperation

Dubai Financial Market (DFM)

<http://www.dfm.ae/>

Dubai Financial Services Authority (DFSA)

<http://www.dfsa.ae/>

Dubai Gold and Commodities Exchange (DGCX)

<http://www.dgcx.ae/AboutUs.aspx>

Dubai International Financial Centre (DIFC)

<http://www.difc.ae/>

Dubai International Financial Exchange (DIFX)

<http://www.difx.ae/Public/home/home.htm>

Emirates Securities and Commodities Authority (ESCA)

<http://www.sca.ae/english/>

Ministry of Economy (MoE)

<http://www.moep.gov.ae>

Ministry of Justice (MoJ)

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Standard : Insurance Core Principles

Level of Compliance: **No Compliance**

Summary

A full assessment of the United Arab Emirates' (UAE) observance of the Insurance Core Principles promulgated by the International Association of Insurance Supervisors was not conducted as part of the International Monetary Fund's (IMF) 2003 Financial System Stability Assessment (FSSA). This was justified by the lack of systemic significance of the insurance sector in the UAE and its early stage of development. According to the IMF's 2003 FSSA, insurance supervision in the UAE was seriously hampered by organizational problems and a shortage of experienced and qualified staff. In this context, the IMF recommended increasing the staff of the Insurance Division of the Ministry of Economy (MoE), appointing an Insurance Commissioner, and conducting a full review of the insurance law and regulations in line with international best practices. The MoE is entrusted under the Federal Law No. 9 on Insurance Companies and Agents of 1984 with the supervision and regulation of insurance companies and intermediaries. In 2007, the IMF completed an update of the 2003 assessment, in which it reiterated that the UAE insurance sector remained small and not systematically important, despite rapid growth. The IMF recommended that the authorities establish a more independent insurance supervisory agency, possibly within the Central Bank of the UAE. Moreover, the IMF found that supervision focused on regulation and compliance rather than on risk, and suggested that oversight of risk management be improved. On February 28, 2007, the New Insurance Law No. 6 was promulgated to establish a more independent Insurance Commission. The Law was expected to enter into force on August 31, 2007, but there is insufficient information so far regarding its implementation.

General Overview

The International Monetary Fund (IMF) conducted a Financial Sector Assessment Program (FSAP) of the United Arab Emirates (UAE) in September 2001, and reported its findings in a 2003 Financial System Stability Assessment (FSSA). The FSSA concluded that insurance supervision in the UAE was seriously hampered by organizational problems and a shortage of experienced and qualified staff. Furthermore, the supervisory authority could not carry out an effective risk-based off-site inspection process, because the insurance companies did not provide it with sufficient statistical information. The IMF chose not to carry out a full assessment of the UAE's observance of the Insurance Core Principles (ICPs) promulgated by the International Association of Insurance Supervisors (IAIS) because the insurance sector was deemed to lack systemic significance and was felt to be still in an early stage of development. Recommendations of the 2003 assessment included an increase in the staff of the Insurance Division of the Ministry of Economy (MoE), the appointment of an Insurance Commissioner, and the full review of insurance law and regulations in line with international best practices. In 2007, the IMF completed an update of the 2001 FSAP. The new report reiterated that the UAE insurance sector was small and not systematically important, despite recent rapid growth. It recommended that the authorities establish a more independent insurance supervisory agency, possibly within the Central Bank of the UAE (CBU). Moreover, because supervision focused on regulation and compliance rather than on risk, oversight of risk management was judged to be in need of improvement. Domestic insurance companies were further advised to enhance their asset management capabilities.

Under the Federal Law No. 9 on Insurance Companies and Agents of 1984 (hereafter referred to as "Insurance Law"), the Insurance Division of the MoE is entrusted with the supervision and regulation of insurance companies, agents, and other insurance-related professions. As noted in a study by Peter Vayanos and Maher Hammoud, which was published as part of the 2007 Arab World Competitiveness Report, the legal framework needed significant upgrading, in light of the evolution and rapid growth of the insurance market. Per the same report, an update of the legal framework and the establishment of an Insurance Commissioner in 2007 were expected to enhance the regulator's capabilities. On February 28, 2007, Federal Law No. 6 (hereafter referred to as the "New Insurance Law") was promulgated to namely establish a more independent Insurance Commission. The IMF's 2007 report recommended hiring additional specialized supervisory personnel and issuing necessary regulations to implement the Law. The New Insurance Law was expected to enter into force on August 31, 2007. To date, however, there is insufficient information regarding the implementation of the Law.

The IMF's 2007 report highlights considerable potential for further development and growth in the insurance industry. In 2005, total insurance-premium revenue in the UAE amounted to about US\$2.2 billion, which was significantly lower than the Organization for Economic Cooperation and Development average (9 percent of GDP), and below the emerging market economies' mean (3.5 percent of GDP). As of 2007, according to Vayanos & Hammoud, there were 49 insurance companies in the UAE, including 5 foreign insurers. The latter focus on life insurance, whereas domestic companies hold about 75% of the non-life insurance market. The 10 largest insurance companies in the UAE account for about 50 percent of total insurance-market premiums. While local insurers are generally privately held, Vayanos & Hammoud report that some large insurance entities are partially state-owned.

The UAE has 37 free trade zones and one financial free zone (FFZ). The Dubai International Financial Center (DIFC) was established in 2004 as the first FFZ, focusing on insurance and reinsurance, banking services, capital markets, and asset management. According to the IMF's 2007 FSSA, the establishment of the DIFC has fostered competition in the UAE financial markets. Per the same report, the newly established Dubai Financial Services Authority (DFSA), which is the regulatory arm of the DIFC, is well staffed with experienced insurance, banking, and securities market supervisors. The DFSA is the sole authority responsible for issuing licenses to financial institutions in the DIFC and is a member of the IAIS. The IMF stated, however, that the regulatory and supervisory regime for the DIFC is entirely separate and independent from that for the UAE as a whole.

Further information on compliance with the principles of this standard is provided below.

ICP 1 Conditions for effective insurance supervision

Level of Compliance: Insufficient Information

According to the IMF's 2003 FSSA, insurance supervision in the UAE was seriously hampered by organizational problems, and a shortage of experienced and qualified staff. Furthermore, as stated in Vayanos & Hammoud's 2007 report, there is no dedicated insurance judicial authority. The Insurance Law provides the legal framework for the regulation of insurers in the UAE. On February 28, 2007, a new Insurance Law was promulgated to establish a more independent Insurance Commission. The 2007 IMF report recommended hiring additional specialized supervisory personnel and issuing necessary regulations to implement the law. The new Insurance Law was expected to enter into force on August 31, 2007. Nevertheless, there is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 2 Supervisory objectives

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 3 Supervisory authority

Level of Compliance: Insufficient Information

The insurance industry is supervised by the Insurance Division of the MoE. Pursuant to the Insurance Law, the MoE is entrusted with the supervision and regulation of insurance companies, agents, and other insurance related professions. According to the 2007 Vayanos & Hammoud report, the overall capabilities of the regulatory body were underdeveloped due to the gaps in the existing regulations. An enhancement of regulator capabilities was expected with an update of the legal framework and the establishment of an Insurance Commissioner in 2007. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

ICP 4 Supervisory process

Level of Compliance: Insufficient Information

According to Vayanos & Hammoud's 2007 report, the supervisory process in the UAE was less developed and more administrative compared to other countries in the region. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

ICP 5 Supervisory cooperation and information sharing

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended that there be regular contact between insurance regulators and the CBU to enhance supervision of groups containing both banks and insurance companies. Regarding formal cooperation and exchange of supervisory information, the IMF's 2007 report encouraged the CBU to implement Memoranda of Understanding with the Emirates Securities and Commodities Authority, the Dubai Financial Services Authority, and the Insurance Commission of the MoE. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

ICP 6 Licensing

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 7 Suitability of persons

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 8 Changes in control and portfolio transfers

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended facilitating industry rationalization by creating an environment that would facilitate the merger of domestic and foreign companies. Rules on work visas and other requirements for non-nationals also needed to be eased. According to the IMF's 2006 Article IV Consultation report, progress with respect to these recommendations remained unclear, and no specific legislation had yet been enacted. Nonetheless, the available

sources do not directly address UAE's compliance with this principle.

ICP 9 Corporate governance

Level of Compliance: Insufficient Information

The UAE Code of Corporate Governance for listed companies was promulgated in May 2007 by the Emirates Securities and Commodities Authority. According to a 2008 study by Shahram Safai of the Afridi & Angell law firm in Dubai, the Abu Dhabi Securities Exchange, the Dubai Financial Market, and the MoE have also produced and circulated draft corporate governance guidelines and regulations. The Hawkamah Corporate Governance Institute was established in the DIFC in 2006 to promote corporate governance codes and guidelines in the UAE and throughout the region. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

ICP 10 Internal control

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 11 Market analysis

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 12 Reporting to supervisors and off-site monitoring

Level of Compliance: Insufficient Information

According to the IMF's 2007 report, legislation in the UAE does not provide for specific accounting standards to be used in preparing company financial reports. The IMF report recommended promptly adopting an accounting standard-setting regime. Since 2003, as reported in the Accounting Standards Update available from the Deloitte & Touche IAS Plus website, all companies listed on the Abu Dhabi Securities Exchange are required to publish financial statements in line with International Financial Reporting Standards. Auditors in the UAE are regulated under the 1995 Federal Law No. 22 Regarding Organization of the Auditing Profession. In its 2007 report, the IMF stated that "the existing law on the auditing profession should be modified to improve regulation of the auditing profession" (p. 37). Nevertheless, there is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 13 On-site inspection

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended increasing the staff of the Insurance Division of the MoE and providing it with skills to carry out off-site analysis and on-site inspections. However, there is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 14 Preventive and corrective measures

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 15 Enforcement or sanctions

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 16 Winding-up & exit from the market

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 17 Group-wide supervision

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 18 Risk assessment and management

Level of Compliance: Insufficient Information

According to the IMF's 2003 FSSA, the supervisory authority was unable to carry out an effective risk-based off-site inspection process because the insurance companies did not provide it with sufficient statistical information. In its 2007 report, the IMF recommended improving oversight of risk management because supervision focuses on regulation and compliance rather than on risk. Nonetheless, the available sources do not directly address the UAE's compliance with this principle.

ICP 19 Insurance activity

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended that there be regular contact between insurance regulators and the CBU to enhance supervision of groups containing both banks and insurance companies. According to the 2008 U.S. DoS report, insurance activities conducted in the FFZ are limited by law to reinsurance contracts only. Nevertheless, there is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 20 Liabilities

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 21 Investments

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF recommended allowing portfolio investment in key sectors by foreign insurers operating in the domestic market in order to develop a deeper and more liquid market for local property and securities. According to the IMF's 2006 Article IV Consultation report, "publicly traded companies have been allowing more foreign investment, though this is at their initiative" (p. 48). Nonetheless, the available sources do not directly address the UAE's compliance with this principle.

ICP 22 Derivatives and similar commitments

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 23 Capital adequacy and solvency

Level of Compliance: Insufficient Information

According to the 2007 Vayanos & Hammoud report, while the UAE requires insurance companies to meet minimum capital requirements, the latter are not obligated to adhere to solvency regulations. However, the available sources do not directly address the UAE's compliance with this principle.

ICP 24 Intermediaries

Level of Compliance: Insufficient Information

The MoE is entrusted under the Insurance Law with the supervision and regulation of insurance companies, agents, and other insurance related professions. Nevertheless, there is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 25 Consumer protection

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 26 Information, disclosure & transparency towards the market

Level of Compliance: Insufficient Information

According to the IMF's 2006 Article IV Consultation report, a ministerial decree has been issued to improve transparency. However, the available sources do not directly address the UAE's compliance with this principle.

ICP 27 Fraud

Level of Compliance: Insufficient Information

There is insufficient information publicly available as to the UAE's compliance with this principle.

ICP 28 Anti-money laundering/ Combating the Financing of Terrorism

Level of Compliance: Insufficient Information

In its 2003 FSSA, the IMF concluded that weak supervision of non-bank financial institutions, including insurance companies, could increase the risk of money laundering. Revised regulations were introduced at the time of the 2003 assessment to bring the anti-money laundering (AML) regime in line with international best practices. According to the IMF's 2007 report, several key laws have been approved in the area of AML and combating the financing of terrorism, including the 2002 Federal AML Law No. 4, and the 2004 Federal Law No. 1 on Combating Terrorism Offences. Nonetheless, the available sources do not directly address UAE's compliance with this principle.

ANNEX

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<http://www.imf.org/external/pubs/ft/scr/2007/cr07357.pdf>

Relevant Organizations

Abu Dhabi Securities Exchange (ADX)

<http://www.adx.ae/English/Pages/default.aspx>

Central Bank of the United Arab Emirates (CBU)

<http://www.uaecb.gov.ae/>

Dubai Financial Market (DFM)

<http://www.dfm.ae/>

Dubai Financial Services Authority (DFSA)

<http://www.dfsa.ae/>

Dubai International Financial Center (DIFC)

<http://www.difc.ae/>

Emirates Securities and Commodities Authority (ESCA)

<http://www.sca.ae/english/>

Gulf Cooperation Council (GCC)

<http://www.gcc-sg.org/eng/index.php>

Hawkamah Institute for Corporate Governance (Hawkamah)

<http://www.hawkamah.org/>

Ministry of Economy (MoE)

<http://www.moep.gov.ae>

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Federal Law No. 6 ("New Insurance Law"), 2007

Federal Law on Anti-Money Laundering No. 4, 2002

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<http://www.weforum.org/en/initiatives/gcp/Arab%20World%20Competitiveness%20Report/index.htm>

Standard : Anti-Money Laundering/Combating Terrorist Financing Standard

Level of Compliance: Insufficient Information

Summary

As of June 2008, there is no comprehensive assessment publicly available on the UAE's compliance with the Financial Action Task Force's (FATF) forty plus nine recommendations and special recommendations. Nevertheless, according to a 2003 report by the International Monetary Fund (IMF), the Anti-Terrorism Law fully incorporated the FATF's 40 Recommendations and its 8 Special Recommendations dealing with terrorist financing. However, the report based its findings on the 2002 FATF methodology rather than the latest (2004) methodology, and therefore cannot be used as an accurate measurement of the UAE's compliance with the FATF's requirements. In a 2005 Article IV Consultation report, the IMF observed that the authorities in the UAE had taken major steps toward implementing a strong legal framework to prevent money laundering and terrorism financing activities. In a subsequent (2007) report, the IMF notes that it had undertaken an assessment of the UAE's anti-money laundering (AML) and combating the financing of terrorism (CFT) regime in 2007. The assessment had been expected to be published by the IMF following its adoption by the Middle East and North Africa Financial Action Task Force and FATF Plenaries in November 2007 and February 2008, respectively. According to the IMF report, the preliminary conclusion of this 2007 assessment is that, although the basic framework is in place, the UAE's legal framework for AML/CFT needs further strengthening in some areas.

General Overview

According to the U.S. Department of State (DoS) International Narcotics Control Strategy Report of 2008, the UAE has shown some progress in enhancing its anti-money laundering (AML) and combating the financing of terrorism (CFT) regime. In its 2005 Article IV Consultation with the UAE, the International Monetary Fund (IMF) indicated that "major steps have been taken to put in place a strong legal framework to prevent money laundering and financing of terrorist activities" (p.43). In the area of AML/CFT, several key laws have been approved, including Federal Law No. 4 of 2002 Regarding the Criminalization of Money Laundering (AML Law), Federal Law No. 1 of 2004 on Combating Terrorism Offences (CFT Law), and Federal Law No. 8 of 2004 Regarding the Financial Free Zones, which addresses AML/CFT in the Dubai International Financial Center (DIFC). Further, the 2005 IMF report noted that the 2002 AML Law "has been widely cited as a model of best practices" (p. 11). However a 2007 report by the IMF titled "United Arab Emirates: Financial System Stability Assessment" paints a grimmer picture of the prevailing AML/CFT regime in the UAE. According to the report, the IMF had undertaken an assessment of the UAE's AML/CFT regime in 2007. The assessment had been expected to be published by the IMF once it had been adopted by the Middle East and North Africa Financial Action Task Force (MENAFATF) and the Financial Action Task Force (FATF) Plenaries in November 2007 and February 2008, respectively. According to the report, the preliminary conclusion of this assessment is that, although the basic framework is in place, UAE's legal framework for combating money laundering and terrorist financing needs further strengthening in some areas. Specifically, "the AML law needs to be amended to bring it more closely in line with the 2003 FATF Recommendations by providing more powers for the Financial Intelligence Unit (FIU) and expanding the number of predicate offenses for money laundering" (p. 27). Other recommendations include: (1) increasing the FIU's staff to conduct the analysis of suspicious transaction reports within the FIU rather than relying on the resources of the Central Bank of the United Arab Emirates' (CBU) Supervision Department; (2) strengthening the overall legal framework for the financial sector's preventive measures; and (3) improving coordination between national

agencies responsible for supervising AML/CFT activities.

Money laundering is a criminal offense in the UAE under the 2002 AML Law, which criminalizes all forms of money laundering, and the Cyber Crimes Law No. 2 of 2006, which criminalizes the electronic transfer of money or property through the internet in which the sources are either concealed or linked to criminal proceeds. Administrative Regulation No. 24/2000 provides guidelines to financial institutions regarding money laundering activity, and requires financial institutions operating in the UAE to follow strict "know your customer" guidelines. In addition, the UAE criminalizes money laundering in conformance with the Vienna and Palermo Conventions under key AML/CFT ordinances. On the criminalization of terrorism financing, the US DoS report observes that the UAE criminalizes terrorism financing through the 2004 CFT Law and the Cyber Crimes Law, which criminalizes the use of the internet to finance terrorist activities, promote terrorist ideology, disseminate information on explosives, or to facilitate contact with terrorist leaders.

Created in 2002, the UAE's financial intelligence unit (FIU) is known as the Anti-Money Laundering and Suspicious Case Unit (AMLSCU), whose mission, in addition to receiving suspicious transaction reports (STRs), is to send information requests to foreign regulatory authorities to conduct its preliminary investigations based on STR data. As of October 2007, per the 2008 U.S. DoS report, the AMLSCU has received and investigated a total of 4,392 STRs for the period from December 2000 to April 2007. The AMLSCU reports that it has issued a total of 42 freeze orders in response to STRs between December 2000 (prior to the establishment of the FIU) and October 2006. However, the U.S. DoS report also points out several weaknesses in the UAE's STR regime, particularly highlighting the paucity of AML/CFT investigations and prosecutions. To fix this, the report recommends that law enforcement agencies should not rely solely on case referrals from the AMLSCU, and instead should aggressively identify money laundering activity and develop cases based on investigations. Also, according to the report, the UAE does not devote sufficient resources to the investigation of AML/CFT. The 2007 IMF FSSA recommends that the AMLSCU increase its staff devoted to conducting the analysis of STRs within the FIU as opposed to relying on the CBU's Supervision Department for these resources. The 2008 US DoS report mentions several sectors in the UAE, such as the diamond industry, the real estate sector, and the hawala trade, that are susceptible to money laundering and terrorist financing activities.

Further information on compliance with the principles of this standard is provided below.

1. Legal Systems and Related Institutional Measures

Level of Compliance: Insufficient Information

According to the IMF's 2003 "Selected Issues and Statistical Appendix" Country Report, the Anti-Terrorism Law fully incorporated the FATF's 40 Recommendations and its 8 Special Recommendations dealing with terrorist financing. However, the report based its findings on the 2002 FATF methodology rather than the latest (2004) methodology, and therefore cannot be used as an accurate measurement of the UAE's compliance with the requirements of this principle. As noted in the 2007 IMF FSSA, based on the conclusions drawn from an unpublished IMF assessment, UAE's legal framework for combating money laundering and terrorist financing needs further strengthening in some areas. Specifically, "the AML law needs to be amended to bring it more closely in line with the 2003 FATF Recommendations by providing more powers for the Financial Intelligence Unit (FIU) and expanding the number of predicate offenses for money laundering" (p. 27).

According to the U.S. DoS report, the UAE has shown some progress in enhancing its AML/CFT regime. Money laundering is a criminal offense in the UAE under the 2002 AML Law, which criminalizes all forms of money laundering,

and the 2006 Cyber Crimes Law, which criminalizes the electronic transfer of money or property through the internet in which the sources are either concealed or linked to criminal proceeds. Administrative Regulation No. 24 of 2000 provides guidelines to financial institutions regarding money laundering activity, and requires financial institutions operating in the UAE to follow strict "know your customer" guidelines. In addition, the UAE criminalizes money laundering in conformance with the Vienna and Palermo Conventions under the key AML/CFT Ordinances. The Anti-Money Laundering Law covers the proceeds of drug-related and other indictable crimes, and calls for stringent reporting requirements for wire transfers exceeding 2,000 dirhams (\$545) and currency imports above 40,000 dirhams (\$10,9000). Money laundering is punishable by up to 7 years imprisonment and a fine of up to 300,000 dirhams (approximately \$81,700), as well as seizure of assets upon conviction.

The U.S. DoS report observes that the UAE criminalizes terrorism financing through the 2004 CFT and the Cyber Crimes Law. The CFT Law sets strict penalties for crimes covered, including life imprisonment (i.e. for founders of terrorist organizations) and the death penalty. The Law also provides for asset seizure or forfeiture, and calls for punishment regardless of whether the terrorist acts occur. Article 21 of the Cyber Crimes Law criminalizes the use of the internet to finance terrorist activities, promote terrorist ideology, disseminate information on explosives, or to facilitate contact with terrorist leaders. Any violation of Article 21 is punishable by up to 5 years imprisonment.

Under both the Anti-Terrorism Law and the Cyber Crimes Law, a court can issue a restraining order against a defendant's property at or near the time criminal proceedings are instituted. Article 31 of Law No. 1/2004 grants the Attorney General the authority to seize or freeze terrorism-related funds and assets until the investigation is completed. Article 32 of this law also gives the central bank the authority to freeze accounts for up to seven days if it suspects the funds will be used to fund or commit any crime. Law No. 1/2004 also established the National Anti-Terror Committee (NATC), which, by implementing the United Nations Security Resolutions (UNSCR) on terrorism, expands the freezing powers of authorities beyond funds to the property of terrorists and their organizations. Several amendments were made to the Central Bank Regulation 24 of 2000 in July 2006. First, the regulations added the term "terrorist financing" to any references made to the term "money laundering." Second, the regulations required financial institutions to freeze transactions that they believe may be destined for funding terrorism, terrorist organizations, or terrorist purposes.

Created in 2002 and housed within the CBU, the UAE's financial intelligence unit, the AMLSCU, whose mission, in addition to STRs, is to send information requests to foreign regulatory authorities to conduct its preliminary investigations based on STR data. As of October 2007, the AMLSCU has received and investigated a total of 4,392 STRs for the period lasting from December 2000 until April 2007. The AMLSCU reports that it has issued a total of 42 freeze orders in response to STRs between December 2000 (prior to the establishment of the FIU) and October 2006. While it is not clear how many money laundering cases took place in the UAE in 2007, there were two high profile money laundering cases in the UAE during the 2006/2007 timeframe. Also, according to the U.S. DoS report, the UAE does not devote sufficient resources to the investigation of AML/CFT and the AMLSCU. In this vein, the 2007 IMF FSSA recommends that the AMLSCU increase its staff devoted to conducting the analysis of STRs within the FIU, rather than relying on the CBU's Supervision Department for these resources.

The 2008 DoS report notes that the Central Bank of the United Arab Emirates is in charge of supervising the compliance of financial institutions authorized by the 1980 Federal Law Concerning the Central Bank, the Monetary System, and Organization of Banking (henceforth the Banking Law). The Emirates Securities and Commodities Authority (ESCA), the UAE's stock market regulator, issued in 2004 anti-money laundering guidelines to all brokers. Since then, the ESCA has required brokers to file STRs with the ESCA for initial scrutiny before the STRs are forwarded to the AMLSCU. The UAE Ministry of Social Affairs regulates and monitors all charities, which have come under intense scrutiny in the UAE since 9/11. The Dubai Financial Services Authority (DFSA) is an independent regulatory body that oversees the UAE's first

financial free zone the Dubai International Financial Center. The DFSA requires its 154 designated institutions to send STRs to the AMLSCU. Although firms operating in the DIFC are subject to the Anti-Money Laundering Law, the DFSA has issued its own anti-money laundering regulations and supervisory regime.

2. Preventive Measures - Financial Institutions

Level of Compliance: Insufficient Information

The 2008 U.S. DoS report states that the UAE has shown some progress in enhancing its AML/CFT regime. Nevertheless, the 2007 IMF FSSA notes that the overall framework for preventative measures in the financial sector need strengthening. Per the 2008 DoS report, Administrative Regulation No. 24 of 2000 of the CBU provides guidelines to financial institutions for money laundering activity, and requires financial institutions operating in the UAE to follow strict "know your customer" guidelines. Under this regulation, financial institutions must verify the customer's identity and maintain transaction details (i.e., name and address of originator and beneficiary) for all exchange house transactions equivalent to U.S. \$545 and for all non-account holder bank transactions over U.S. \$10,900. Other provisions of Regulation 24 of 2000 call for customer records to be maintained for a minimum of five years and further require that they be periodically updated as long as the account is open. The Anti-Money Laundering Law calls for stringent reporting requirements for wire transfers exceeding 2000 dirhams (\$545) and currency imports above 40,000 dirhams (\$10,900). Further, the 2008 U.S. DoS report states that amendments were made to CBU Regulations in July 2006. The amendments added the term terrorist financing to any references made to the term money laundering, and requires financial institutions to freeze transactions that they believe may be destined for funding terrorism, terrorist organizations, or for terrorist purposes.

According to the U.S. DoS report, the monitoring of suspicious transaction reports in the UAE is generally effective even if there is room for improvement. At the forefront of the UAE's STR and reporting regime is the AMLSCU, whose mission, in addition to receiving STRs, is to send information requests to foreign regulatory authorities to conduct its preliminary investigations based on STR data. The Anti-Money Laundering Law calls for stringent reporting requirements for wire transfers exceeding 2,000 dirhams (\$545) and currency imports above 40,000 dirhams (\$10,900). The ESCA, UAE's stock market regulator, issued in 2004 anti-money laundering guidelines to all brokers. Since then, the ESCA has required brokers to file STRs with the ESCA for initial scrutiny before the STRs are forwarded to the AMLSCU. Finally, since 2002, the CBU has required hawala brokers to file STRs on a monthly and quarterly basis, even though none have been filed thus far. Financial regulatory authorities have issued anti-money laundering guidelines reflecting the FATF Forty recommendations on Money Laundering to institutions under their authority and these regulators monitor compliance through on-site inspections and other means.

Hawala is a common practice in the UAE and it is a sector very susceptible to money laundering and terrorist financing, owing to the largely undocumented nature of this informal remittance system. The 2007 U.S. DoS report states that "Hawala is an attractive mechanism for terrorist and criminal exploitation due to its non-transparency to law enforcement and regulators and the highly resilient nature of the system." Consequently, in 2002, the CBU issued new regulations to help improve the oversight of hawala. The new regulations required hawala brokers (hawaladars) to register with the CBU, submit the names and addresses of all originators and beneficiaries of funds, and to file suspicious transaction reports on a monthly or quarterly basis. However, since the inception of the program, according to the 2007 U.S. DoS report, there have not been any documented STRs filed by hawaladars.

3. Preventive Measures - Designated non-Financial Business and Professions

Level of Compliance: Insufficient Information

On July 18, 2007, the DIFC enacted regulations for non-financial businesses such as real estate agents, dealers in precious metals and stones, dealers in high value goods (cash payments of over US\$15,000), non-Authorized Service Providers, lawyers, accountants, auditors, and non-DFSA regulated Trust and Company Service Providers. These regulations implement FATF requirements for the above professions within the DIFC jurisdiction. A 2006 Article IV report noted that the UAE's "leadership position in the gold trade and money remittances - two markets that are perceived as vulnerable to money laundering - as well as its high level of activity in trade and financial reflows coupled with its policy of open and free capital flows" (p.8). Per the 2008 DoS report, to better regulate "near-cash" items such as gold, jewelry, and gemstones, especially in the burgeoning markets located in Dubai, the UAE now participates in the Kimberley Process Certification Scheme for Rough Diamonds since November 2002, and began certifying rough diamonds exported from the UAE. Industries susceptible to money laundering and terrorist financing in the UAE are the diamond industry and real estate sector. The authorities in the UAE are aware of the risks these sectors pose as conduits for money laundering activities and have thus taken measures to tackle the issue.

4. Legal Person and Arrangements & Non-Profit Organizations

Level of Compliance: Insufficient Information

On the FATF's recommendation 33 relating to legal persons and access to beneficial ownership and control information, the 2008 U.S. DoS report observes that the Administrative Regulation No. 24 of 2000, in addition to requiring financial institutions operating in the UAE to follow strict 'know your customer' guidelines, also "delineates the procedures to be followed for the identification of natural and juridical persons, the types of documents to be presented, and rules on what customer records must be maintained on file at the institution."

The U.S. DoS report notes that the UAE is constantly reviewing the adequacy of laws and regulations as they relate to entities that can be abused for money laundering and terrorism financing. In the UAE, non-profit organizations are particularly vulnerable. Amid heightened concerns about terrorist financing in the post-9/11 era, the UAE government enhanced its oversight of charities. Since 2002, the government has mandated that all licensed charities wishing to transfer funds abroad go through one of three "quasi-government" organizations. The report further noted that the UAE government works with aid-receiving countries to identify legitimate recipients for UAE charitable assistance. The UAE's Ministry of Social Affairs regulates and monitors all charities, and requires these charities to report all donations and beneficiaries to the Ministry.

5. National and International Co-operation

Level of Compliance: Insufficient Information

The 2008 U.S. DoS report, while not specifically addressing mechanisms in place to enable local AML/CFT actors to cooperate and coordinate domestically, concludes that the cooperation between the CBU and the DFSA needs improvement, and lines of authority need to be clarified. The 2007 IMF FSSA notes that improving coordination at the national level is particularly important as the AML/CFT system expands to other parts of the financial and non-financial sectors. The CFT Law established the National Anti-Terror Committee in 2004, which acts as the government's interagency coordinator in implementing United Nations Security Council Resolutions on terrorism. According to the 2008 U.S. DoS report, the UAE is a party to the 1988 UN Drug Convention and to all twelve UN conventions and protocols relating to the prevention and suppression of international terrorism, such as the UN International Convention for the Suppression of the Financing of Terrorism. In addition, the UAE has signed and ratified the UN Convention against Corruption, and has ratified the UN Convention against Transnational Organized Crime in May 2007. Finally, the UAE has actively supported and was highly involved in the creation of the Middle East and North Africa Financial Action Task Force (MENAFATF) in November 2004. The UAE will assume the presidency of MENAFATF for 2008. Further, the U.S. DoS report notes that information-sharing between the AMLSCU and foreign FIUs has substantially improved.

Having joined the Egmont Group in 2002, the AMLSCU regularly exchanges information with its foreign counterparts regarding investigations conducted in other countries. The 2003 FSSA indicated that, since September 11, 2001, the UAE authorities has begun working with a wide range of countries, including the United States, the United Kingdom, Germany, Pakistan, and several Gulf Cooperation Council nations, to enter into several mutual legal assistance and extradition agreements in an effort to facilitate the investigation of AML/CFT financing issues.

ANNEX

Sources of Assessment

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<http://www.imf.org/external/pubs/ft/scr/2005/cr05269.pdf>

International Monetary Fund, "United Arab Emirates: Financial System Stability Assessment," Country Report No.07/357, Washington, D.C.: IMF, October 2007. Available from World Bank website. Accessed on May 19, 2008. (IMF 2007)

<http://www.imf.org/external/pubs/ft/scr/2007/cr07357.pdf>

U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report 2008," March, 2008. Available from U.S. Department of State website. Accessed on June 13, 2008. (U.S. DoS 2008)

<http://www.state.gov/p/inl/rls/nrcrpt/2008/vol2/html/100809.htm>

Relevant Organizations

Anti Money Laundering Suspicious Cases Unit (AMLSCU)

<http://www.centralbank.ae/AMLSU.php>

Central Bank of the United Arab Emirates (CBU)

<http://www.centralbank.ae/index.php>

Dubai Financial Services Authority (DFSA)

http://www.dfsa.ae/dfsa/legislation/anti_money_laundering/

Emirates Securities and Commodities Authority (ESCA)

<http://www.sca.ae/english/>

Gulf Cooperation Council (GCC)

<http://www.gcc-sg.org/eng/index.php>

Middle East and North Africa Financial Action Task Force (MENAFATF)

<http://www.menafatf.org/home.asp>

Ministry of Social Affairs (MSA)

Relevant Legislation/Regulation

Federal Law Regarding the Criminalization of Money Laundering No. 4, 2002

<http://centralbank.ae/pdf/AMLSU/Federal-Law-No.4-2002-English.pdf>

Federal Law on Combating Terrorism Offences No. 1, 2004

<http://centralbank.ae/pdf/AMLSU/Decree-Federal-Law-No.1-2004.pdf>

Administrative Regulation Concerning Procedures for Anti-Money Laundering No. 24, 2000

<http://centralbank.ae/pdf/AMLSU/CircularNo.24-2000.pdf>

Federal Law Regarding the Financial Free Zones No. 8, 2004

[http://dific.ae/laws_regulations/laws/files/federal/Federal%20Law%20No%20\(8\)%20of%202004.pdf](http://dific.ae/laws_regulations/laws/files/federal/Federal%20Law%20No%20(8)%20of%202004.pdf)

Cyber Crimes Law No. 2, 2006

Union Law Concerning the Central Bank, the Monetary System and Organization of Banking No. 10, 1980

<http://centralbank.ae/pdf/OffGazetteB.pdf>

Supplementary Sources

International Monetary Fund, "United Arab Emirates: Financial System Stability Assessment, including Reports on the Observance of Standards and Codes on the following topics - Monetary and Financial Policy Transparency, Banking Supervision and Payment Systems," Country Report No. 03/20, Washington, D.C.: IMF, January 2003. Available from International Monetary Fund website. Accessed on June 4, 2008. (IMF 2003a)

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<http://www.imf.org/external/pubs/ft/scr/2006/cr06257.pdf>

Methodology

For a more thorough discussion of our methodology, please visit our website. Below you find an explanation of qualifying criteria for information used in eStandardsForum's standard reports as well as a definition of the Levels of Compliance.

Sources

Sources used in this report are information that is objective and freely available to the public that pertain to a country's compliance with the requirements of any given standard. The defining characteristics of eStandardsForum's sources are public availability and objectivity. For example, third-party assessments of a country will take precedence over self-assessments. Nevertheless, in the absence of third-party assessments, self-assessments form an important source of information.

Levels of Compliance

The review of available information culminates in the assignment of a level of compliance for each standard and principles of the standard. Compliance with the 12 Key Standards for Sound Financial Systems is measured on a scale of six compliance categories. These particular categories have been selected because they mirror the process a country follows when implementing standards and codes.

FULL COMPLIANCE: There is publicly available information indicating that the country has incorporated the principles of the relevant standard into laws or regulations, and that these principles are currently being applied and followed in an effective, consistent, and transparent manner.

COMPLIANCE IN PROGRESS: There is publicly available information indicating that the country has incorporated the principles of the relevant standard into laws or regulations and that there has been significant progress made towards the effective enforcement of the laws or regulations by regulators and supervisors, albeit with minor shortcomings.

INTENT DECLARED: The country has made a formal, public, and authoritative declaration that it will incorporate the principles of the relevant standard into laws or regulations and will adhere to the standard.

NO COMPLIANCE: There is publicly available information indicating that the country has not incorporated the principles of the relevant standard into laws or regulations or has taken any steps to comply with the relevant standard.

INSUFFICIENT INFORMATION: There is not enough information publicly available to make an assessment as to the country's level of compliance with the relevant standard