

الجامعة  
البريطانية في  
دبي



The  
British University  
in Dubai

# **A Critical Analysis of the Role of Dubai International Financial Centre in Making Dubai a Regional Financial Centre**

دراسة تحليلية لدور مركز دبي المالي العالمي  
في خلق دبي كمركز مالي اقليمي

**By  
Amer Al Jabri**

**Dissertation submitted in partial fulfillment of  
MSc Finance & Banking**

**Faculty of Business**

**Dissertation Supervisor**

**Dr. Elango Rengasamy**

**April 2012**

## DISSERTATION RELEASE FORM

| Student Name       | Student ID | Programme             | Date                       |
|--------------------|------------|-----------------------|----------------------------|
| AMER SALIM ALJABRI | 80054      | MSc FINANCE & BANKING | 08 <sup>TH</sup> JULY 2012 |

|   |
|---|
| <p><b>Title</b></p> <p><b>A Critical Analysis of the Role of Dubai International Financial Centre in Making Dubai a Regional Financial Centre</b></p> |
|---|

I warrant that the content of this dissertation is the direct result of my own work and that any use made in it of published or unpublished copyright material falls within the limits permitted by international copyright conventions.

I understand that one copy of my dissertation will be deposited in the University Library for permanent retention.

I hereby agree that the material mentioned above for which I am author and copyright holder may be copied and distributed by The British University in Dubai for the purposes of research, private study or education and that The British University in Dubai may recover from purchasers the costs incurred in such copying and distribution, where appropriate.

I understand that The British University in Dubai may make that copy available in digital format if appropriate.

I understand that I may apply to the University to retain the right to withhold or to restrict access to my dissertation for a period which shall not normally exceed four calendar years from the congregation at which the degree is conferred, the length of the period to be specified in the application, together with the precise reasons for making that application.

|                         |
|-------------------------|
| <p><b>Signature</b></p> |
|-------------------------|

## **ABSTRACT**

Financial systems play an important role in the economic development of nations. The performance and long-term economic growth and welfare of a country are related to its degree of financial development. The topic of this dissertation started with merely an attempt to compare the financial services provided by financial institutions in Singapore with those in DIFC Dubai. The aim of this research is to critically analyse the role of Dubai International Financial Centre in making Dubai a regional financial centre on par with the best financial centres in Asia. The data for this study was obtained both from primary and secondary sources. Primary data was obtained through a survey, while the secondary data was obtained through publications, statistics, and journal articles. The questionnaire was administered to 50 DIFC stakeholders who as lawyers, government officials, businessmen, bankers and finance managers have first hand information about the working of DIFC and also have expertise in evaluating and comparing the two IFC locations Singapore and DIFC, Dubai. The data collection was analysed to evaluate and compare as to which destination is preferred by stakeholders as their IFC of choice. Based on the analysis the areas in which DIFC is lacking is also discussed and suggestions offered that if implemented by DIFC can help it improve its standing among the global IFCs.

**Keywords:** DIFC, Singapore, Dubai, Financial Services, Business Environment, Financial development, Financial products and services,

## ملخص

تلعب الأنظمة المالية دوراً هاماً في التنمية الاقتصادية للدول. يرتبط الأداء والنمو الاقتصادي طويل الأمد إضافة إلى أداء الرعاية الاجتماعية لأي دولة بمستوى التطور المالي. بدأت هذه الدراسة بمحاولة لمقارنة الخدمات المالية المقدمة من قبل المؤسسات المالية في سنغافورة بتلك المقدمة من قبل مركز دبي المالي العالمي DIFC. حيث يهدف البحث إلى تحليل دور مركز دبي المالي العالمي في خلق مركز مالي أقليمي مركزه إمارة دبي يوازي أفضل المراكز المالية في قارة آسيا. تم جمع البيانات لهذه الدراسة من مصادر أولية من خلال مسح استبائي ومن مصادر ثانوية تشمل دراسات سابقة وإحصائيات ومقالات. تم توزيع الاستبيان على ٥٠ جهة وشخصية من أصحاب المصلحة في مركز دبي المالي العالمي ممن هم محامون، وموظفون حكوميون، ورجال أعمال، ومصرفيين، ومدراء ماليون ممن لديهم القدرة على الاطلاع على المعلومات الهامة والقدرة على تقييم أداء عمل مركز دبي المالي العالمي من خلال خبراتهم بالإضافة إلى مقارنة مكان المركزين الماليين العالميين في سنغافورة ومركز دبي المالي. تم تحليل مجموعة البيانات لتقييم ومقارنة أفضلية أي المركزين العالميين لدى أصحاب المصلحة. واستناداً على التحليل تم مناقشة الجوانب التي يفتقر إليها مركز دبي المالي العالمي وتم عرض مقترحات قد ترفع مستوى المركز ضمن مصاف المراكز العالمية الأخرى.

## **ACKNOWLEDGEMENT**

First and foremost, I would like to thank my supervisor, **Dr. Elango Rengasamy**, for his critical comments, encouraging support, generosity in giving time, and taking interest in my work. I would like to take this opportunity to thank the members of my family, especially my mother and my wife, for their support and patience.

My appreciation also extended to all the staff members of the University for their support. Also to everyone who have directly or indirectly supported me to complete this program.

**Amer Al Jabri**

## TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>CHAPTER 1 INTRODUCTION .....</b>                                     | <b>1</b>  |
| <b>1.1 BACKGROUND .....</b>   | <b>1</b>  |
| <b>1.2 RESEARCH OBJECTIVES / QUESTIONS.....</b>                         | <b>2</b>  |
| <b>1.3 RATIONALE OF THE STUDY.....</b>                                  | <b>2</b>  |
| 1.3.1 Practical Purposes .....  | 3         |
| 1.3.2 Research Purposes.....  | 3         |
| 1.3.3 Personal Purposes .....   | 4         |
| <b>1.4 Limitations of the Study .....</b>                               | <b>5</b>  |
| <b>1.5 DISSERTATION OUTLINE .....</b>                                   | <b>5</b>  |
| <b>CHAPTER 2 LITERATURE REVIEW.....</b>                                 | <b>6</b>  |
| <b>2.1 Introduction .....</b>   | <b>6</b>  |
| <b>2.2 What Is A Global Financial Centre? .....</b>                     | <b>6</b>  |
| <b>2.3 International Financial Centres: Location.....</b>               | <b>7</b>  |
| <b>2.4 IFC Functions.....</b>   | <b>8</b>  |
| 2.4.1 Payment & Settlement Systems (Foreign Exchange) .....             | 9         |
| 2.4.2 International financial mediation.....                            | 11        |
| <b>2.5 Financial Centre Competitiveness.....</b>                        | <b>11</b> |
| <b>2.6 Conditions/Pre-requisite for IFC .....</b>                       | <b>13</b> |
| <b>2.7 COMPARISON: DUBAI AND SINGAPORE.....</b>                         | <b>13</b> |
| 2.7.1 SINGAPORE.....  | 13        |
| 2.7.2 DUBAI.....  | 15        |
| <b>CHAPTER 3: RESEARCH METHODOLOGY .....</b>                            | <b>19</b> |
| <b>3.1 Research Design.....</b>   | <b>19</b> |
| <b>3.2 Research Methods.....</b>  | <b>19</b> |
| <b>3.3 3.3 Data Sources.....</b>  | <b>20</b> |
| 3.3.1 Secondary Data .....  | 20        |
| 3.3.2 Primary Data.....   | 21        |
| <b>3.4 Statistical Analysis .....</b>                                   | <b>22</b> |
| <b>3.5 Limitations of the study .....</b>                               | <b>22</b> |
| <b>CHAPTER 4 CASE STUDY: DUBAI INTERNATIONAL FINANCIAL CENTRE .....</b> | <b>23</b> |
| <b>4.1 INTRODUCTION.....</b>  | <b>23</b> |
| <b>4.2 DIFC SECTORS OF FOCUS.....</b>                                   | <b>24</b> |

|                                   |           |
|-----------------------------------|-----------|
| <b>CHAPTER 5 : RESULTS .....</b>  | <b>26</b> |
| <b>CHAPTER 6: CONCLUSION.....</b> | <b>42</b> |
| <b>RECOMMENDATIONS.....</b>       | <b>45</b> |

## LIST OF TABLES

|  |    |
|--|----|
| Table 1: Fx Turnover 2010 .....                                  | 10 |
| Table 2 : Financial Centre Competitiveness Ranking.....          | 12 |
| Table 3 : Financial Centres Ranking.....                         | 14 |
| Table 4: Participants Agree Group .....                          | 27 |
| Table 5: Participants Gender.....                                | 28 |
| Table 6: Profession .....  | 29 |
| Table 7: recent dealings at various financial centres .....      | 30 |
| Table 8: Years of interaction with DIFC based entities.....      | 31 |
| Table 9: Rating of business environment in the DIFC .....        | 32 |
| Table 10: Level of professionalism in the DIFC .....             | 33 |
| Table 11: Ease of Business Setup in DIFC.....                    | 34 |
| Table 12: Rating of DIFC Infrastructure .....                    | 35 |
| Table 13: NASDAQ Dubai Regulatory Framework.....                 | 36 |
| Table 14: Judicial Independence of DJA .....                     | 37 |
| Table 15: DIFC Financial Services.....                           | 38 |
| Table 16: DIFC Facilitation in Obtaining credit facilities ..... | 39 |
| Table 17: Comparison Factors .....                               | 40 |



## LIST OF FIGURES

|   |    |
|---|----|
| Figure 1: World Oil Reserve by Country.....                                 | 16 |
| Figure 2: Top World Natural Gas Reserves by Country.....                    | 16 |
| Figure 3: UAE Oil & Non-Oil GDP .....                                       | 16 |
| Figure 4: Age Group by Percentage.....                                      | 27 |
| Figure 5: Gender percentage .....   | 28 |
| Figure 6: Profession percentage.....  | 29 |
| Figure 7: Frequency of Dealings at different financial centres.....         | 30 |
| Figure 8: percentage of participants dealing with DIFC based entities ..... | 31 |
| Figure 9: DIFC Business Environment rating percentage .....                 | 32 |
| Figure 10: Rating of Professionalism at DIFC .....                          | 33 |
| Figure 11: Ease of Business Setup in DIFC.....                              | 34 |
| Figure 12: Infrastructure rating at DIFC .....                              | 35 |
| Figure 13: Regulation of NASDAQ Dubai.....                                  | 36 |
| Figure 14: DJA Judicial Independence - rating .....                         | 37 |
| Figure 15: Sophistication of DIFC Financial Services .....                  | 38 |
| Figure 16: Ease of Access to Credit Lines.....                              | 39 |
| Figure 17: Comparison Factors.....  | 40 |

# CHAPTER 1 INTRODUCTION

## 1.1 BACKGROUND

“Little Wonder that there is a race on, a race for the money to become what Jessie Poon (2003) describes as one of the ‘control centres of global financial flows;’ an international financial centre” (Jarvis 2009).

Economies are driven mainly by the international flows of money between nations. Driven by the fact that overall economies are successful by the success of facilitating the process of flowing monies in conversion of savings into investments. This where international intermediaries role is imperative (Cao and Quek 1995).

As a result, financial systems role- among other factors such as legal and geographies, becomes essential in the development of economic developments. This is also iterated in different literatures. There is need for more work to better understand the role of financial factors in the process of economic growth.

Recognising the importance of financial services in economic development, several nations have set international financial centres, which act as a backbone of their economy. Many cities were at certain times an important IFC but only few have survived to these days. Kaufman (1999) highlighted that emerging economies specifically had focused to become an international financial centre.

In addition, financial intermediaries also help individuals to diversify risk since being large which entitles such institutions the benefits of economies of scale. Such privilege allows the institutions to analyse the creditworthiness of clients. Also this allows them to create efficiencies in the loan collection and risk pooling. Eventually this will lead to capital market efficiencies (Cao and Quek 1995).

The topic of this dissertation started with merely an attempt to compare the financial services provided by financial institutions in Singapore with those in Dubai. The comparison was aimed to identify the gap in products and services vis-à-vis the commodities trading. However, based on the access to secondary data this study aims to critically analyse the role of Dubai International Financial Centre (DIFC) in making Dubai a regional financial centre on par with the best IFCs in Asia.

## **1.2 RESEARCH OBJECTIVES / QUESTIONS**

The aim of this research is to critically analyse the role of Dubai International Financial Centre in making Dubai a regional financial centre on par with the best financial centres in Asia.

In order to achieve the aim of this study, the following research objectives are set. These research objectives will provide an overview/insight from finance practitioners, legal experts as well as the larger business community. In order to derive the conclusions, it is essential to give some direction on the organisation of the research. Additionally, it is crucial to define the boundaries of the research in order to avoid deviation from its scope and purpose of this research.

- To explore and analyse the crucial factors that help a location establish as an International Financial Centre (IFC);
- To analyse the role of Dubai International Financial Centre (DIFC) in establishing Dubai as a regional financial hub;
- To introspect whether DIFC meets the expectations of regional and international financial institutions as a reliable and trusted financial intermediary.

## **1.3 RATIONALE OF THE STUDY**

We mentioned earlier that many cities were at certain times an International Financial Centre and only few remained serving such role (Kaufman 1999). The success of these few to an extent derived from its ability to engage and offer various financial activities to both individuals and investors. Such activities range from trading of foreign exchange (FOREX), equity and debt securities, derivatives trading,. Also such centres offer payments clearing and settlement, merger and acquisition.

Singapore has been operating as an International Financial Centre for the last 30 years, serving Southeast Asia. DIFC, on the other hand, stepped in to become an IFC very recently in 2004 as an economic/financial free zone following Dubai's strategic diversification programme. However, as I work for a commodity trading company, it was challenging to

acquire financing whether from domestic or regional banks in line with the nature of this business. This has triggered the need to conduct this study, to analyse whether DIFC meets the expectations of its stakeholders. This study will achieve practical, research, and personal objectives.

### **1.3.1 Practical Purposes**

The first and foremost purpose driving the conduct of this research is from the practical perspective is for my company and the business community in the UAE.

As a commodity trading company seeking to expand its trading portfolio and ability to reach counterparties around the globe, we ought to assess and evaluate the financing requirements to meet such expansion plans. My organisation, ABC Corporation, took off in 2006 at the Dubai International Financial Centre by unsecured credit facilities carved out from its shareholders credit lines with European based banks. This was made in order to support the entity to establish its business and secure stand alone credit facilities. Looking at the proximity, the management decided to seek for such facilities from domestic financial institutions. Unfortunately, this was not possible due to the absence of specialised commodity trade financing on par with those provided by renowned IFCs such London, Paris, Singapore, and New York. Foremost, the high cost of obtaining credit facilities and trade finance products in addition to the restrictive banking days by the central bank of UAE (no transactions allowed on Friday where most of commodities are traded in foreign currencies USD or EUR). The company had eventually obtained such facilities from European financial institutions.

Can we consider DIFC then an International Financial Centre? What DIFC need to address, to become an IFC on-par with Singapore. As Singapore is among the leaders in International Financial Centres, this comparative assessment will allow us to draw appropriate conclusions on the standing of DIFC.

### **1.3.2 Research Purposes**

Many comparative assessments studies were conducted on various international financial centres, Singapore vs. Hong Kong, Shanghai vs. Singapore or Hong Kong, London vs. New York, etc. some researchers also have indicated the minimum requirements to categorise a financial centre accordingly.

A 2009 competitiveness assessment report by KPMG has ranked Singapore 1st and DIFC 7th (KPMG, 2009). The assessment was based on three main pillars: Industry Opinion, Industry Performance, and Capability Measurement. On the other hand the Global Financial Centres Index (GFCI) published on March 2011 ranked Singapore and Dubai 4th and 28th, respectively. London was ranked 1st.

We attempt here to compare DIFC with Singapore from the perspective of IFCs using key parameters such as business environment, range of banking and non banking financial services and performance. Therefore, this research aims to bridge this gap and complement previous assessments on DIFC. The research will also supplement industry professionals with information to gauge the viability or feasibility to pursue conducting trade financing from Domestic or Foreign Banks in Dubai/DIFC.

### **1.3.3 Personal Purposes**

Since the inception of the company in 2006, I was involved in the structuring of its finance function and back office operations. The shareholders decided to incorporate this business in the DIFC for various reasons. Among them, acquiring financing in line with the nature of this business: Commodity Trading.

As the company portfolio increases so the operations also expand. Given the company is active in exporting crude, refined petroleum products, and petrochemicals to receivers across Europe, Indian subcontinent, Asia Pacific, in addition to Middle Eastern counterparties, the trade finance products and services became an essential element specifically to ensure risk mitigations and optimise trade economics. The company had to approach FIs located at other IFCs. With the participation in concluding a new large revolving credit facility agreements with financial institutions in different geographies (outside of the Middle East) combined with the extensive trade transactions, it became apparent the whole integrated value chain and the different parts of the transactions became apparent.

I believe this research will personally enhance my understanding and knowledge of the nature of an IFC, and its foundations. It will also help in evaluating and determining key factors when selecting a location to establish a business.

## 1.4 Limitations of the Study

Comparing two financial centres is a very challenging task as there may be numerous factors that need to be considered to evaluation. This study only focuses on the business environment and the range of financial services offered to make a comparison. It is not very comprehensive and is a limited criterion for evaluation.

Furthermore in arriving at the results this study includes the views of respondents who may have limited exposure of dealing with either of the destinations being compared and as such their views may not be accurate.

## 1.5 DISSERTATION OUTLINE

This dissertation consists of the following chapters:

**Chapter 1 Introduction:** Provides a general background of the problem being researched, its importance as a research subject. The aims and objectives of this study are presented, along with the significance of the study.

**Chapter 2 Literature Review:** It critically reviews the existing literature and the relevant articles on International Financial Centres, specifically the crucial factors that can make DIFC and Dubai an IFC on par with international standards.

**Chapter 3 Research Methodology:** Provides a detailed description of the data required for this study and the appropriate methods used to obtain the required data. Furthermore data sources and limitations of the study are discussed. The data analysis process is explained.

**Chapter 4 Results:** The primary data collected is tabulated and graphically presented. An analysis of the findings is presented.

**Chapter 5 Case Study:** It presents some facts/attributes and summary on the DIFC that makes it attractive compared to other IFCs.

**Chapter 6 Conclusion:** It presents the conclusions drawn from the study.

Chapter 7 Bibliography

## CHAPTER 2 LITERATURE REVIEW

### 2.1 Introduction

The OECD defines offshore financial centers as, “Countries or jurisdictions with financial centers that contain financial institutions...”. But that is a broad definition of IFC. On the otherhand, ones must consider that IFC’s role in financial intermediation defines the drivers of its emergence. The core strength of the financial centers is to perform a balanced transfer of savings from different segments (individuals, corporates, etc.) into investments through time. Financial centers thus “perform a medium of exchange function and an interspatial store-of-value function” (Reed 1980).

Apart from that, Jarvis (2009) have noted that certain IFC may become specialized in certain financial services such as lending and clearinghouse for payments among countries. IFCs have some essential elements that identify it as an IFC based on its location, the markets it serves, and the functions it performs. They are discussed below:

### 2.2 What Is A Global Financial Centre?

Mainelli (2006) defined and explained the global Financial Centre as:

*“A global financial centre is an intense concentration of a wide variety of international financial businesses and transactions in one location. The city of Hamilton in Bermuda may be an international financial centre for reinsurance, but it is not a global financial centre. Sydney may be Australia’s international financial centre, but it is not a global financial centre. A key theme in the Corporation of London’s study was that London and New York City continue to pull away from the pack”.*

Financial centers compete with one another. But the win of one financial centre is not necessarily a loss for others. in essence, and according to various economic theories, widening the platform to allocate risk and reward improves economic efficiencies. For example, attracting capital at lower costs will stimulate investment activities in the country and the investor achieves investment diversification. Similarly, marketing and business development offices of a European bank in Dubai for example will support its headquarters, hence both cities or regions benefit (Allen & Overy, 2009).

Having said the above, economic and political stability are main drivers to attract both foreign and domestic investments. Though such systems stability is not necessarily under the radar screen, but it is important that such related regulations are less subject to changes. Creating and maintaining an open business centre is essential to promote inward investments. Some governments may be dragged to changes rules to safeguard domestic businesses. This will eventually cause a limitation to achieve market efficiency.

The above statement leads us to examine the importance to create a competitive business environment which helps to stimulate diversity and having successful and efficient financial systems. As a result, the success of a financial centre regardless of the high infrastructure, is measured by the depth and effectiveness of providing variety of financial services. Note that domestic business favoritism will act as an obstacle agent in the success a financial centre.

*“Global finance is a non-zero sum game, but only for those centers who accept that they have to be open and diverse. Open competition leads to appropriate connectivity with the global financial markets” (Allen & Overy, 2009).*

The Dubai International financial centre has created a buzz in Dubai and has facilitated capital inflows, which was so visible during the boom period of 2005-2008. Business people in Dubai attribute this boom to the role played by the DIFC in facilitating money flows from International markets to the Dubai real estate sector.

### **2.3 International Financial Centres: Location**

The IFC definition by Mainelli (above) suggests as a result of the *“intense concentration of a wide variety of international financial businesses and transactions in one location”* either evidence the existence of a high density of businesses.. Again, the core role of the IFC remain important to transfer savings from different segments (individuals, corporates, etc.) into investments through time. The main objective of this section though is to determine the factors determining the Location of the IFC. One main rule is the ability to transform savings.

. With the absence of sufficient quantitative models to measure the contribution of various factors in the location, size, and services of the IFC, some researches are linking this to “The Place Theory” developed by Walter Christaller in 1966. Jarvis (2009) explained “In Christaller’s thesis, goods have differing ‘thresholds;’ the higher the value of the good the



higher is the 'range' or maximum distance consumers are willing to travel to acquire the good". Accordingly, we should not rule out the contribution of the trade routes in developing certain cities, and still are, as trading hubs and renowned financial centers. Hence, if an IFC offers variety of financial services, investors will be willing to travel.

Recently, especially post 2007/2008 global economic downturn, emerging economies have shown resilient and growing economic growth. In a sign of apparent shift in trade routes from West to the East, major financial institutions as well large corporate have vouched to strengthen their presence. Especially to set strong roots in the growing economies of CIVETS – an acronym for Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. HSBC, for example, have moved their Headquarters to Hong Kong.

*"At HSBC, we have long been convinced that the world's centre of gravity is steadily shifting east and south. It's a view we've held since several years BC - BC is after all 'before the crisis.' And, in my view, it is a shift which the crisis has just accelerated."*

Michael Geoghegan,  
Group Chief Executive of HSBC Holdings plc.<sup>1</sup>

Financial Centers in the West will remain vital in the overall scope of globalization irrespective of where the economic growth stands. With the shift of trade routes from West to East requires the financial industries in these destined Eastern economies to develop sophisticated financial systems and regulations (Green 2008)..

Financial systems in the fast growing Middle East and Asian economies their role in international trade is becoming crucial. Hence, as these economies are expanding, so the the requirement for stable systems and sophisticated financial services evolve.

## **2.4 IFC Functions**

We mentioned earlier that IFC role is a medium to transfer savings into investments. To success in this, IFC will require massive injections of capital. which in order to acquire such capital. This is normally a transformation process from savings to investments in assets such as plants and equipments which then generates return and either increase or maintain the operations.

---

<sup>1</sup> From West to East - a new phase for the global economy, speech was recently given by Michael Geoghegan, Group Chief Executive of HSBC Holdings plc, <http://www.chamber.no/From+West+to+East+-+a+new+phase+for+the+global+economy.9UFRrIWY.ips> , accessed 12 June 2011.

IFCs different activities ranging from trading of foreign exchange (FOREX), equity and debt securities, derivatives trading,. Also such centres offer payments clearing and settlement, merger and acquisition.

The wide range of financial services and products provided by the IFCs play a vital role in the financial development of a destination as well as the adjoining regions. This has a ripple effect as more funds will be available to invest and this in-turn provides opportunities for people to earn more and increases the economic status of a nation.

Merton and Bodie (1995) identified six functions must be performed for which any financial system including a financial centre among them the requirement to provide clearing and payment settlement systems, permits transfers of various resources among industries and abroad, availability of pooling and subdividing of resources, and risk management tools.

**Some of the key functions are discussed below:**

#### **2.4.1 Payment & Settlement Systems (Foreign Exchange)**

Chakrabarty (2011) explained that “An efficient and well-run payment system is sine-qua-non for the efficient functioning of any economy. The smooth functioning of the market infrastructure for enabling payment and settlement systems is essential for market and financial stability, as also for economic efficiency, and for the smooth functioning of financial markets”. Hence, the existence of the settlement systems are the backbone of any financial platforms on both international and local levels. With the grow of volumes and value of financial transactions around the globe, payment and settlement systems became more vital.

As a result, as noted by Jarvis (2009), certain IFCs may become specialized in certain financial services such as lending and clearinghouse for payments among countries. – in other words, they evolve an ability to “effect payments and to transfer saving between places.” (Kindleberger, 1974 in; Reed, 1980).

In earlier chapter, we mentioned that a basic role of any International Financial Centre is trading in foreign exchange (Kui 1998). The domestic currencies needs not nevertheless be tagged as an international currency in the international foreign exchange market to achieve a top ranking. There is a weak correlation between a country’s ranking of an IFC and the use of

its currency as an international currency (Kaufman 1999). For example, the U.S. dollar in April 2010 constituted 85% of the total OTC Forex turnover and yet USA ranks second after United Kingdom with 18% vs. 37% for the latter (Table 1). Choi et al, (1996) observed the ranking of IFCs does not differ greatly due to Forex turnover.

| <b>USD Millions</b> | <b>2007</b>      | <b>2010</b>      | <b>%Change</b> | <b>Ranking</b> |
|---------------------|------------------|------------------|----------------|----------------|
| United Kingdom      | 1,359,103        | 1,853,594        | <b>36%</b>     | <b>37%</b>     |
| United States       | 663,611          | 904,357          | <b>36%</b>     | <b>18%</b>     |
| Japan               | 238,425          | 312,326          | <b>31%</b>     | <b>6%</b>      |
| Singapore           | 230,555          | 265,899          | <b>15%</b>     | <b>5%</b>      |
| Switzerland         | 241,691          | 262,582          | <b>9%</b>      | <b>5%</b>      |
| Hong Kong SAR       | 174,625          | 237,542          | <b>36%</b>     | <b>5%</b>      |
| Australia           | 169,518          | 192,052          | <b>13%</b>     | <b>4%</b>      |
| France              | 119,740          | 151,509          | <b>27%</b>     | <b>3%</b>      |
| Germany             | 98,713           | 108,598          | <b>10%</b>     | <b>2%</b>      |
| Denmark             | 86,062           | 120,463          | <b>40%</b>     | <b>2%</b>      |
| Canada              | 59,824           | 61,892           | <b>3%</b>      | <b>1%</b>      |
| Russia              | 50,173           | 41,658           | <b>-17%</b>    | <b>1%</b>      |
| Sweden              | 42,150           | 44,796           | <b>6%</b>      | <b>1%</b>      |
| Korea               | 33,396           | 43,824           | <b>31%</b>     | <b>1%</b>      |
| Belgium             | 48,191           | 32,524           | <b>-33%</b>    | <b>1%</b>      |
| Luxembourg          | 42,572           | 33,363           | <b>-22%</b>    | <b>1%</b>      |
| Italy               | 35,563           | 28,601           | <b>-20%</b>    | <b>1%</b>      |
| India               | 34,085           | 27,358           | <b>-20%</b>    | <b>1%</b>      |
|                     |                  |                  |                | <b>37%</b>     |
| Others              | 260,082          | 333,128          | <b>28%</b>     | <b>18%</b>     |
| <b>Total</b>        | <b>3,988,079</b> | <b>5,056,067</b> |                |                |

Source: Bank for International Settlements, Switzerland, Foreign exchange and derivatives market activity in 2010 (November 2010)

**Table 1: Fx Turnover 2010**

Jao (2003) in his working paper have comprehended the IFC in general terms as a function of cross-bordered and cross-currency financial transactions; with emphasis on Forex market he stated “IFC is basically about cross-boarder and cross-currency financial transactions. A large and active forex market is therefore an unmistakable hallmark of a genuine IFC, a forex market, in turn, basically an inter-bank market for wholesale currency transactions. A critical mass of internationally active banks is therefore essential for generating the economies of scale of forex transactions characteristic of an IFC, as well as achieving the economies of scale and of scope for other financial activities like loan syndication, underwriting, mergers and acquisitions, etc.”

Jao (2003) also have set quantitative benchmarks to conclude a city is an IFC or not. Among them is a minimum daily forex turnover of US\$10 billion. Other benchmarks are outlined in section 2.6 Conditions/Pre-requisite for IFC.

#### **2.4.2 International financial mediation**

An IFC must be able, in addition to foreign exchange, to provide financial intermediation. In addition to that, it should also provide financing products directly (i.e. to underwrite financing facilities).

Economic theory suggests that “financial markets and intermediaries exist mainly because of two types of market frictions: information costs and transaction costs. These frictions lead to the development of financial intermediaries and financial markets, which perform multiple functions” (WEF 2011). Trading, hedging, insurance services;; monitoring managers, and promoting corporate control and governance are few among many other functions

The Financial Development report (2011) further explained that Increased economies are greatly impacted by the existence of efficient financial intermediation and financial markets through their effect on capital accumulation. The report outlined the sequence; 1) greater financial development leads to greater mobilization of savings and its allocation to the highest-return investment projects which in return increases the accumulation of capital then to economic growth. 2) allocation of capital to various investments with emphasizing more on corporate governance will lead to increased technological innovation and productivity growth, which further enhances the economic growth.

It is worth mentioning that the larger the size and depth of the financial system the stronger its ability to benefit from economies of scale. Since huge infrastructure is made, financial institutions will be able to efficiently allocate and monitor the capital and its usage. As a result ensuring the economy is less vulnerable to economic or financial crises.

One main element to achieve the mobility/transformation of savings into investments, is the size of the banking system. Banks are the frontline or medium to accumulate savings and channel them to investors and finally to economic growth.

### **2.5 Financial Centre Competitiveness**

There are five key areas of financial centre competitiveness as following

**People:** The availability of qualified workforce / professionals A financial centre should attract a large number of financial professionals, who have the expertise to drive the operations of financial entities in the IFCs.

**Business Environment:** in general refers to overall regulatory framework, taxation, corporate governance, and business setup requirements. It is important to have stable and transparent regulatory regime, with a competitive tax rate. The overall process of doing business should be simplified with little bureaucracy and low levels of corruption.

**Market Access:** To allow different financial institutions to access the market and offer wide range of financial services and products . This should should create synergies for the overall benefit of the members of the IFC.

**Infrastructure:** commuting and availability of property and transport links are one of the main elements to attract IFCs workforce; Any IFC location should have well developed communication and transport infrastructure to facilitate faster movement of data and people.

**General Competitiveness:** IFCs should continuously evaluate criterion to be successful as the customers needs keep changing with time.

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

**Table 2 : Financial Centre Competitiveness Ranking**

## **2.6 Conditions/Pre-requisite for IFC**

It is essential to specify a number of conditions or criteria for which a city can be categorized as IFC. Jao (2003) have concluded, based on the Fx turnover and number of foreign banks, a number of benchmarks to determine such eligibility. Some of the benchmarks include, inter alia:

- a daily forex turnover greater than US\$10 billion;
- at least 100 foreign banks and at least 200 non-bank financial intermediaries (both net of representative offices)
- total cross-boarded lending of at least US\$ 20 billion;
- Selected by more than 200 foreign companies to establish their regional headquarters.

## **2.7 COMPARISON: DUBAI AND SINGAPORE**

### **2.7.1 SINGAPORE**

Unlike many other *laissez faire* financial centres in the world, Singapore's financial development was a conceived vision deliberately nurtured in a growing economy which enjoyed political stability and was managed with administrative efficacy (Yong & Nah 1995).

At the start of Asian Dollar Market in the late 1960s, international banks looked for an city in South East Asia that would be the host for the Asian Dollar Market. This will allow an extension of the time zone for the Eurodollar market. Singapore along with Hong Kong were naturally the right cities (Kui 1998). Singapore had a head start nevertheless in 1968 over Hong Kong since the latter was lagging behind because of its restrictions on granting banking licenses resulted the 1965 banking crises. Also, Hong Kong rejected to waive the interest withholding tax on foreign currency deposits (Jao 1997 in; Kui, 1998).

Singapore, despite its location in Asia, is only an island with nil resources in comparison to Malaysia, Indonesia, and other surrounding countries.. Singapore's economy remains dependent on its capacity to generate services and attract capital and investment (Jarvis 2009).

Singapore's success story, especially with its poor resources, was astonishing and have made itself a prominent international financial centre. This prestigious stand among other major international financial centres was achieved through Singapore's efficient banking sector. "An October 2009 Bloomberg Global Poll found that the tiny country had topped New York as investors' preferred place for doing business, second only to London. Still, Singapore's playing catch-up to Hong Kong: the special Chinese region has more hedge fund, IPO and M&A activity, according to the World Economic Forum report and ranking." (Entrepreneur.com)

Generally, Singapore's position is gaining strength. The KPMG/Dubai report ranked the country first overall (see Table 3 below), noting that "in the capability measurement rankings, Singapore has a clear lead over other centres. It ranks first in both business environment as well as the cost of doing business Singapore's performance in terms of its capability is consistent with the steady improvement in its ranking and scores in various financial centre surveys."

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

**Table 3 : Financial Centres Ranking**

The rapid growth of Singapore into an international financial centre represents one of the biggest success stories in the global financial industry in the past decade. By virtue of its strong regulatory regime and low cost of doing business, Singapore has been able to present a challenge to long-established leaders such as New York and London. Over the last few years, Singapore has made a concerted effort to improve its capabilities. Apart from refining its regulatory regime and creating the conditions for lowering the cost of business, Singapore has continuously improved on various parameters key to attracting and retaining human capital.

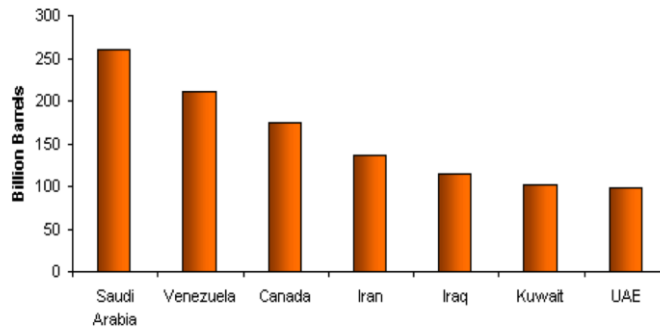
### **2.7.2 DUBAI**

Unlike Singapore, Dubai is a State within the federation of United Arab Emirates (UAE). Hence, it is essential to shed some light on UAE economy overall and Dubai in particular. The United Arab Emirates is a federation of seven different emirates formally established on 2 December 1971; Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, Ras al-Khaimah and Fujairah. UAE is the third largest economy in the Middle East after Kingdom of Saudi Arabia and Iran. Its also comes second to Qatar in terms of per capita GDP. “The UAE is an important producer of natural gas and oil, ranking seventh globally in total proven reserves of both. Abu Dhabi possesses the majority of oil and natural gas reserves followed by Dubai, with small amounts in Sharjah and Ras al-Khaimah”. Dubai production of crude oil is relatively minor to overall UAE production of 2.3 millions.

On the other hand, like Singapore, Dubai is strategically located midway between East Asia and Western Europe, as well as Central Asia in the north and Africa in the south. It has well established trading links with a vast region of over 2 billion people covering the Gulf, Middle East, Eastern Mediterranean, Central Asia, Africa and the Asian sub-continent. This region has some of the world’s fastest growing emerging markets and continued liberalisation is expected to boost demand further (KPMG, 2009).



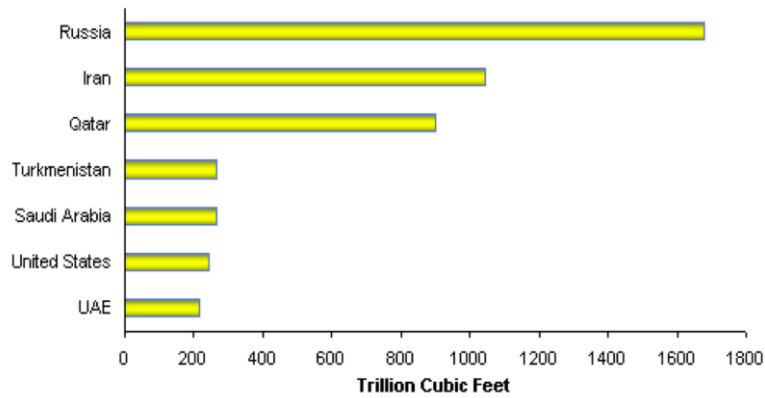
**Top World Oil Reserves by Country  
January 1, 2011**



Source: Oil and Gas Journal

**Figure 1: World Oil Reserve by Country**

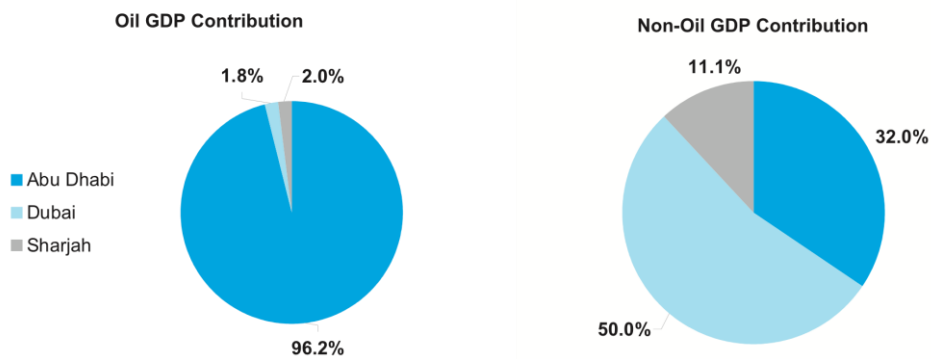
**Top World Natural Gas Reserves by Country  
January 1, 2010**



Source: Oil and Gas Journal

**Figure 2: Top World Natural Gas Reserves by Country**

**Chart 1: UAE Oil & Non-Oil GDP Contribution by Top 3 Emirates in 2008**



Source: KAMCO Research & UAE National Bureau of Statistics

**Figure 3: UAE Oil & Non-Oil GDP**

Nation wise, in 2008, Dubai merely contributed 1.8% (United States Dollars 1.6 billions) to the oil component of GDP for the top three Emirates, whereas its oil rich neighbouring Emirate, Abu Dhabi, contribution was 96.2%. Notwithstanding its minute contribution to UAE GDP of the oil and gas, Dubai leads the non-oil GDP contribution of 50% for the top three Emirates. Dubai's contribution of UAE's trade was 78% then followed by Abu Dhabi and Sharjah (12% and 6% contribution respectively) (UAE Country Analysis, 2011).

Both Abu Dhabi and Dubai have set development strategies to reduce the dependency on hydrocarbons (oil and gas). Dubai started ahead of Abu Dhabi by constructing the biggest man-made port in the world; Port Jebel Ali which was constructed in the late 1970s to supplement the facilities at Port Rashid in Dubai. Dubai commenced thriving to achieve its diversification by establishing different free-zones starting with Jebel Ali Free Zone Authority (JAFZA) in 1985.

#### **2.7.2.1 Dubai's success Factors:**

**1. Strategic Location:** Dubai is strategically located midway between East Asia and Western Europe, as well as Central Asia in the north and Africa in the south. It has well established trading links with a vast region of over 2 billion people covering the Gulf, Middle East, Eastern Mediterranean, Central Asia, Africa and the Asian sub-continent. This region has some of the world's fastest growing emerging markets and continued liberalisation is expected to boost demand further (Pacione 2005).

**2. Political And Economic Stability:** Being part of UAE, a politically stable country has established a known reputation for wise foreign politics and excellent welfare systems in comparison to other Arab countries. UAE's financial strength has supported the country to maintain its sovereign rating intact. The Government has extended all possible financial support to the country's banking system as well to Dubai.

**3. Open And Free Economic System:** Dubai's have illustrated an advanced open economic policy for the past decades. Dubai's economic policy and minimal intervention. Dubai's regulations for private sector are instrumental in promoting Dubai as a the right place to conduct business. This has led to attract Foreign Direct Investments and placed Dubai as one of preferred places to establish business.

**4. World Class Infrastructure and Service Sector:** Dubai still continues to extensively invest in infrastructure. The achievements speak for themselves. Advanced road systems, public transport, metro, 3 air terminals and one air terminal for cargo, sea ports, and advanced telecommunication.

Dubai has concentrated further to establish specialized free zones such as JAFZA, Dubai Investment Park, exhibition centers that are busy round the year, etc. For better illustration of available Some of Dubai's major infrastructure and industrial achievements include:

- Jebel Ali Port, the world's largest man-made harbour, and the seventh largest sea port in the world.
- Jebel Ali Free Zone, home to more than 6,000 companies from over 110 countries.
- DP World, is the fourth largest port operator in the world, having combined throughput capacity of more than 48 million TEU's in 2006.
- The US\$4.25 billion Dubai Metro, the world's biggest fully automated metro project implemented as one unit.
- Dubai International Airport, named the Best Airport Worldwide by IATA Global Airport Monitor (2004), the Best International Airport Worldwide by Conde Nast Traveler Awards (2006), and the World's Leading Airport by World Travel Awards (2005) (UAE Country Analysis, 2011).
- Dubai ranks as the world's seventh largest producer of aluminum.

**6. Excellent Living Conditions:** one of the main advantage among other benefits in Dubai is the zero-personal tax. Also, Dubai government , in fact UAE in general, are blessed with safe communities which are stemmed from cultural tolerance and diversity despite Dubai's cosmopolitan life style.

These six success factors have propelled Dubai / DIFC as a premier business destination in the Middle East region and it is well on its way to continue playing a vital role in the economic development of UAE as well as the region by facilitating capital inflows and providing investment opportunities for local savings.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Research Design**

Before embarking on any research it is very vital to design the research structure. This should be the first step done in the initial stages and later data collection or analysis can be done. The key purpose of the research design is to ensure that the evidence obtained should enable the researcher to answer the main research question as clearly as possible. The research design should specify the type of evidence needed to answer the research question (Gimblett 2006).

According to Bickman and Rog (2009), research designs serve as “the architectural blueprint of a research project, linking design, data collection, and analysis activities to research questions”. Research design deals with a logical problem and is not concerned with the “how to conduct research problem”. In social research the focus should be on the research questions and what evidence is required to answer them. The issues of sampling, method of data collection (for example, questionnaire, observation, document analysis), design of questions are all of secondary importance. Bickman and Rog (2009) argue that the conclusions of any research often unconvincing and does not answer questions. They note that this is ensued from the researcher initial work when commencing drawing the research questions prior to defining the type of information required hence causing the a weakness in the research work.

### **3.2 Research Methods**

“Literature on research approaches reveals that there are two main traditions of academic enquiry: qualitative and quantitative methods. Qualitative methods may include ethnographic studies, participant observation, discourse analysis and the analysis of aspects such as artifacts” (Leedy & Ormond, 2005).

Quantitative research, is regarded as a hard and objective approach and concentrates mainly on the breadth of the data. Quantitative research include surveys and studying of data using statistical tools, (Martin 2002). In the cultural context, this is akin to the ‘etic’ perspective (where the researcher studies organisational life from an outsider’s lenses).

Qualitative research on the other hand is considered as a soft approach. and concentrates on the depth. The qualitative uses descriptive and follows a rational approach. in general

A very interesting point which is often overlooked is that both qualitative and quantitative traditions contribute to each other. Without the descriptiveness associated with qualitative research, understanding quantitative research data is extremely difficult. Mintzberg (1979) puts it very bluntly when he points out that without the ‘creative leap’ made by qualitative research, the quantitative researchers would be left with no theory to test. Mintzberg (1979, p.587) goes on to add: “we uncover all kinds of relationship in our hard data, but it is only through the use of this soft data that we are able to explain them.”

Emphasising the significance of qualitative research, Bartunek & Seo (2002, p.240) notes: “.....such exploration offers the possibility of stimulating the development of new understandings, about the variety and depth with which organisational members experience important organisational phenomena.” Because of these significant and crucial reasons, this research adopts a qualitative approach.

In qualitative research large amounts of data is collected from different sources, observation and interviews. Therefore it is important to follow systematic steps of analysis in qualitative research. Highly acclaimed researchers in the qualitative tradition such as Mintzberg (1979); discussed the guidelines for the analysis of the qualitative data. This study chooses a combination of both quantitative and qualitative tradition for the pursuit of enquiry.

### **3.3 3.3 Data Sources**

Both primary and secondary data sources are used to assist in completing this research.

#### **3.3.1 Secondary Data**

Secondary data is basically information collected from previously published sources to support the research being conducted. A wide range of secondary data sources such as books, journals on finance, financial institutions and regulatory environment, websites, company documents that provide valuable data, can serve as a good theoretical foundation for the research.

Secondary data in general are readily available at lower costs to obtain. On the otherhand, secondary data may be available only for certain time interval that is inconsistent with the period of time under research. Also, secondary data could be inaccurate and hence jeopardise the results and driven conclusions.

The secondary data sources used for this study are relevant books, journals on finance, financial institutions and regulatory environment, websites, resources from online libraries, newspapers and magazines.

The financial industry globally stretches from United States to Europe and ending with the Far East. It includes government institutions, local enterprises, and international players. Given it also involves all spectrum of professionals from different roles; bankers, analysts, traders, commercial lawyers, technologists, etc. different opinions are collected, which gives further reliability to this research.

The research is mainly focusing on two IFCs; DIFC and Singapore. The data sources to conduct this research were mainly from renowned organisations concerned about the financial and banking activities. This includes Bank for International Settlements, International Monetary Fund, World Bank, Central Banks, DIFC economics department, Singapore MAS (Monetary Authority of Singapore), etc. I based the research as well on questions posed to industry experts.

### **3.3.2 Primary Data**

Primary data is data specifically collected to answer the research questions. Primary data will be collected through a detailed questionnaire.

#### **Surveys - Questionnaire**

The survey for this study was designed to gather responses from financial experts, legal experts and the business community in the UAE. The common and widely used approach is to direct these questions to the same users/players in the industry.

The Questionnaire survey method has advantages and disadvantages. It is very easy to administer to a large sample and at a low cost. Tuckman (1988) argues that there two main shortfalls from questionnaires; 1) improper administration and poor scale construction, 2) imprecise or vague meaning of the responses (Lincoln and Guba 1985). In addition to these, the validity of the survey is questionable. This is, if the respondent attempted or provided correct response to the questionnaire, etc. (Wiersma 1995).

### **Sample of the study**

The sample consists of 40 respondents. It includes financial and legal experts as well as Finance managers of organisations interacting with the DIFC, who are carefully selected due to their expertise and knowledge of the working of DIFC.

### **3.4 Statistical Analysis**

Statistical analysis is done using the SPSS software program. The merits of the use of such text analysis software have been highlighted by some researchers. In particular, it has been argued that the use of software leads to easier categorisation and faster retrieval of data, and increased ease of coding. However, other leading scholars on research methodology have expressed their reservation on this issue and have argued that the mechanical ways of treating data would attract the disadvantages that are associated with surveys or quantitative tools of analysis. They argue that mechanical treating of data minimizes human engagement with the data collected, which is so critical for subjective analysis.

The above words of caution persuaded the researcher to adopt manual coding with the objective of being close to data and adopting a data driven approach to analysis.

The chi-square test is computed which is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. Do the number of individuals or objects that fall in each category differ significantly from the number you would expect? Is this difference between the expected and observed due to sampling error, or is it a *real* difference?

### **3.5 Limitations of the study**

This research is being done in the context of Dubai and Dubai International Financial Centre and may not be representative of the whole financial intermediary industry. It is a limited study conducted with just 40 respondents and the views represented by them may not present a complete picture of the actual standing of DIFC. Another limitation is that due to time constraints a larger more inclusive study was not possible, that could have presented a clear picture of the role played by DIFC in the economic development of Dubai.

# CHAPTER 4 CASE STUDY: DUBAI INTERNATIONAL FINANCIAL CENTRE

## 4.1 INTRODUCTION

The **Dubai International Financial Centre (DIFC)**, was launched by the Government of Duabi in 2004 as part of Dubai's strategic vision to diversify its economic resources. The DIFC vision is to become a universally recognized hub for institutional financial services in the region. "DIFC intends to bridge the gap left by the existing financial centres of London and New York in the West, and Hong Kong, Singapore and Tokyo in the East" (DIFC, 2011).

Since the launch of the DIFC, a large number of globally reputed financial institutions such as Citibank, Standard Chartered Bank, Credit Suisse, Deutsche Bank, Development Bank of Singapore, SMBC, etc. have made DIFC their home and regional headquarters and further enhanced the stature of DIFC as global financial centre (Official website of DIFC, 2011).

These financial institutions and many other business entities have been attracted to setup their operations in DIFC, along with geographic location of Dubai, is its TAX FREE status, 100% foreign ownership, non-restriction on foreign exchange or capital/profit repatriation, operational support and business continuity facilities.

The DIFC structure overall resembles a perfect platform for international business set-up. The structure includes a regulating body (Dubai **Financial Services Authority (DFSA)**) which regulates the activities of companies within the DIFC.

DIFC's autonomous body DJA (DIFC Judicial Authority) is another added point in distinguishing DIFC from Dubai and Federal laws. These legal framework were developed to be on-par with best practices of global financial centres.

Following in the footsteps of the world's leading financial centres, the DIFC has setup a major financial exchange, NASDAQ Dubai (formerly Dubai International Financial Exchange). It is a liquid and transparent electronic market trading shares, bonds and other securities, eventually including derivatives. It has been created to provide both investors and issuers with a larger and more liquid securities market and aims to facilitate market liberalization throughout the region (Official website of DIFC, 2011).



## **4.2 DIFC SECTORS OF FOCUS**

The DIFC attempts to cover variety of financial services to achieve the purpose of transferring savings and appropriate allocations in investments. These services include: banking services, capital markets, asset management and fund registration, reinsurance and insurance, Islamic finance, business processing operations and ancillary services.

Below is a brief summary on each of the main services:

### **Banking Services**

Conventional banking sector is, and continues to be, the most appealing source of funding in the Middle East for small and medium enterprises (SME). With the existence of international investment grade banks with proximity, SME as well large corporate benefit from economies of scale, efficiencies, and various financing products that these banks bring with.

With time the DIFC aims to become the investment banks and other financial institutions to establish underwriting, merger and acquisition (M&A) advisory, etc.

### **Capital markets: NASDAQ Dubai**

NASDAQ Dubai is another efficient venue to raise funds. The Exchange offers a transparent and regulated platform to for trading international shares, debit instruments (bonds, sukuk), index products and derivatives. The exchange aims to attract IPOs, alternate listings for companies already quoted on other exchanges and fixed-income listings at both the corporate and sovereign levels (DIFC 2011).

### **Asset management and fund registration**

Realizing the potential of DIFC, a number of Asset management firms and private banks such as Mellon Global Investments, Franklin Templeton and INVESCO have setup base in the DIFC. Fund managers will be able to offer a wide range of investment products such as mutual funds, exchange traded funds, open- and closed-ended investment companies, index funds, hedge funds and shariah compliant funds.

## **Reinsurance**

Insurance levels in the region have been well below those seen in other parts of the world due to lack of awareness, social and religious inhibitions, and low disposable incomes. Growth in trade in the region, the huge infrastructural spending on projects, as well as the privatization of state utilities and other assets, have all resulted in greater demand for insurance and reinsurance coverage.

The DIFC facilitates the growth of the insurance and reinsurance industry in the region by creating a thriving centre comprising various components of the insurance industry from insurers, reinsurers and brokers to service, educational and training providers. Additionally, it will provide an investment channel for local insurers and reinsurers to invest in the international market (DIFC 2011).

## **Islamic finance**

The DIFC is facilitating the growth of Islamic banking and finance by acting as a gateway for Shariah-compliant financial products in the region. In consultation with leading Islamic scholars, academics and international organizations, the DIFC has drawn its legal and regulatory framework governing Islamic banks and financial institutions. This has resulted in a framework that is transparent, supportive of an Islamic financial system and in line with international best practices governing finance.

## **Business processing operations**

DIFC's access to regional specialized workforce and IT infrastructures paves the way for DIFC to support its targets to become the preferred location for international back-office operations. (DIFC,2011).

## **Ancillary services**

With increased activities and growing number of business entities within the DIFC, ancillary services also emerged. Ancillary services providers such as law firms, accountancy firms, human resources consultancies, etc. are have global presence and, again, found their way to DIFC to offer their services for DIFC and non-DIFC clients.

## **CHAPTER 5 : RESULTS**

### **Introduction**

As part of this survey a questionnaire was administered to 50 DIFC stakeholders who as lawyers, government officials, businessmen, bankers and finance managers have first hand information about the working of DIFC and also have expertise in evaluating and comparing the two IFC locations Singapore and DIFC, Dubai. A total of 42 duly filled in questionnaires were received back, which are included in this survey. After data collection, the data was analysed to evaluate and compare as to which destination is preferred by stakeholders as their IFC of choice. Based on the analysis the areas in which DIFC is lacking is also discussed and suggestions offered that if implemented by DIFC can help it improve its standing among the global IFCs.

## Section I : About The Participants Background

### Q1. Age Group

Approx. 80% of the respondents were in the 31-50 age group. This reflects the participant's sound experience in the financial services industry. The table below presents the details.

| Age          | Frequency | %          |
|--------------|-----------|------------|
| 21-30        | 04        | 9          |
| 31-40        | 18        | 43         |
| 41-50        | 15        | 36         |
| 51-60        | 05        | 12         |
| <b>Total</b> | <b>42</b> | <b>100</b> |

Table 4: Participants Age Group

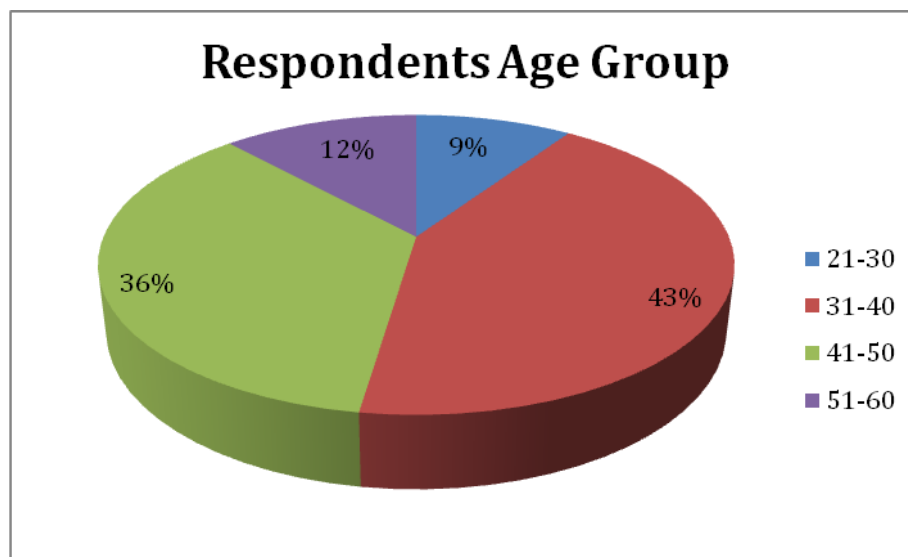


Figure 4: Age Group by Percentage

## Q2. Gender

Among the respondents 79% were males and the rest were females. Table 5 below shows the Gender frequencies and percentages. The high percentage of males reflects the demographics of the UAE, where there are more males in the UAE work force than females and also highlights the fact that less number of women work in the financial services.

| Gender       | Frequency | %          |
|--------------|-----------|------------|
| Male         | 33        | 79         |
| Female       | 09        | 21         |
| <b>Total</b> | <b>42</b> | <b>100</b> |

Table 5: Participants Gender

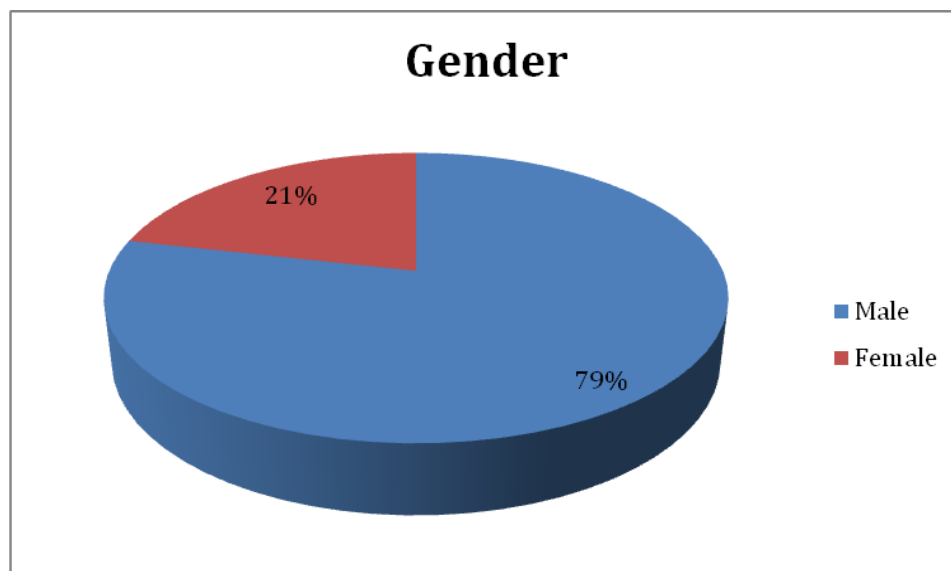


Figure 5: Gender percentage

**Q3. What is your Profession?**

- Lawyer  Banker  Businessman  Finance Manager   
Govt. Official

| Profession          | Frequency | %          |
|---------------------|-----------|------------|
| Lawyer              | 04        | 10         |
| Banker              | 15        | 36         |
| Businessman         | 06        | 14         |
| Government Official | 06        | 14         |
| Finance Manager     | 11        | 26         |
| <b>Total</b>        | <b>42</b> | <b>100</b> |

Table 6: Profession

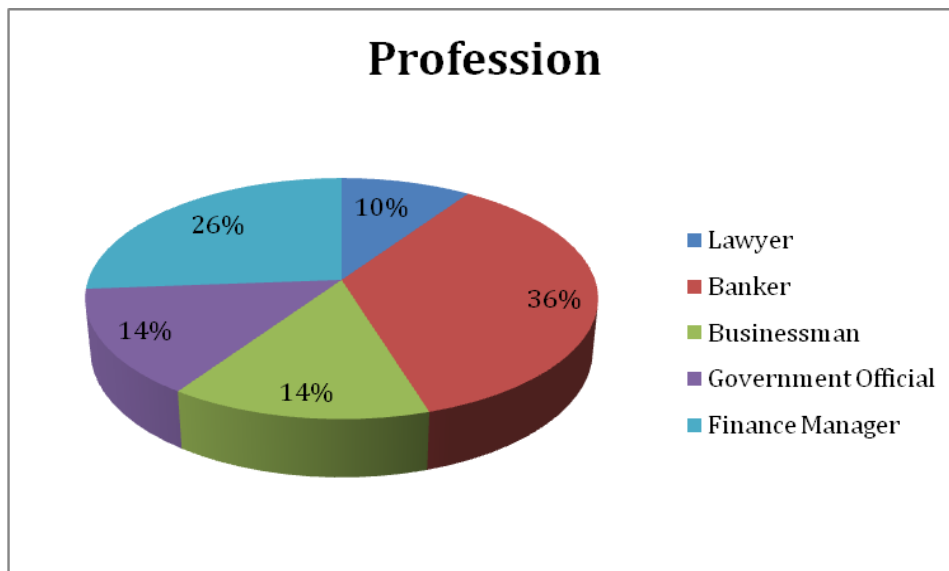


Figure 6: Profession percentage

This survey included respondents such as lawyers, government officials, businessmen, bankers and finance managers, who are wider stakeholders of the DIFC and they have first hand information about the working of DIFC. As such they make ideal respondents for the survey and due to the nature of their work they are in a better position to evaluate and comparing the two IFC locations Singapore and DIFC.

**Q4. Have you had recent dealings with any of the following International Financial Centres?**

DIFC  Singapore  Hong Kong  London  New York

| IFCs      | Frequency |
|-----------|-----------|
| DIFC      | 42        |
| Singapore | 37        |
| Hong Kong | 14        |
| London    | 23        |
| New York  | 08        |

Table 7: recent dealings at various financial centres

Of the 42 respondents all of them had recently interacted with the DIFC and 37 of them had recently interacted and done business with Singapore. This is followed by London and Hong Kong.

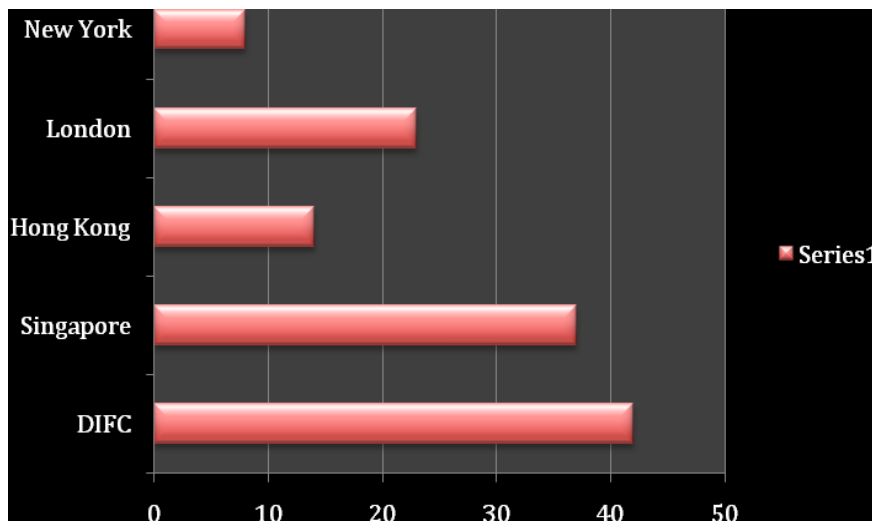


Figure 7: Frequency of Dealings at different financial centres

**Q5. If you are dealing with DIFC based companies, since how many years are you interacting with them?**

Less than 2 yrs     3- 5 yrs     5-8 yrs

| Profession      | Frequency | %          |
|-----------------|-----------|------------|
| Less than 2 yrs | 11        | 26         |
| 3-5 yrs         | 21        | 50         |
| 5-8 yrs         | 10        | 24         |
| <b>Total</b>    | <b>42</b> | <b>100</b> |

Table 8: Years of interaction with DIFC based entities

Half of the respondents had the experience of dealing for 3-5 yrs with DIFC based business entities. 24% of the respondents had 5-8 years experience.

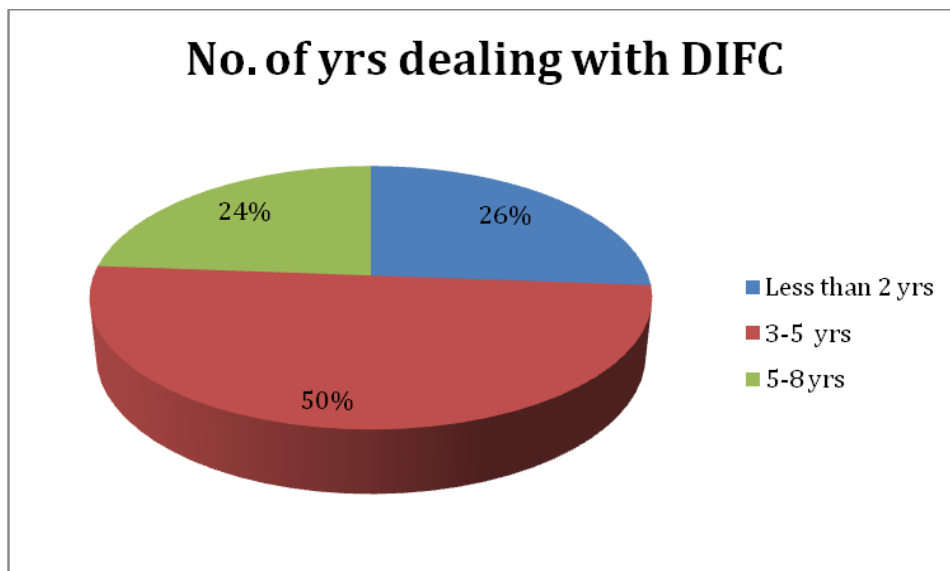


Figure 8: percentage of participants dealing with DIFC based entities



## Section II DIFC – SINGAPORE BUSINESS ENVIRONMENT

**Q6. How do you rate the general business environment in the DIFC?**

Excellent  Good  Average  Poor

| DIFC Business Environment | Frequency | %          |
|---------------------------|-----------|------------|
| Excellent                 | 02        | 5          |
| Good                      | 08        | 19         |
| Average                   | 27        | 64         |
| Poor                      | 05        | 12         |
| <b>Total</b>              | <b>42</b> | <b>100</b> |

Table 9: Rating of business environment in the DIFC

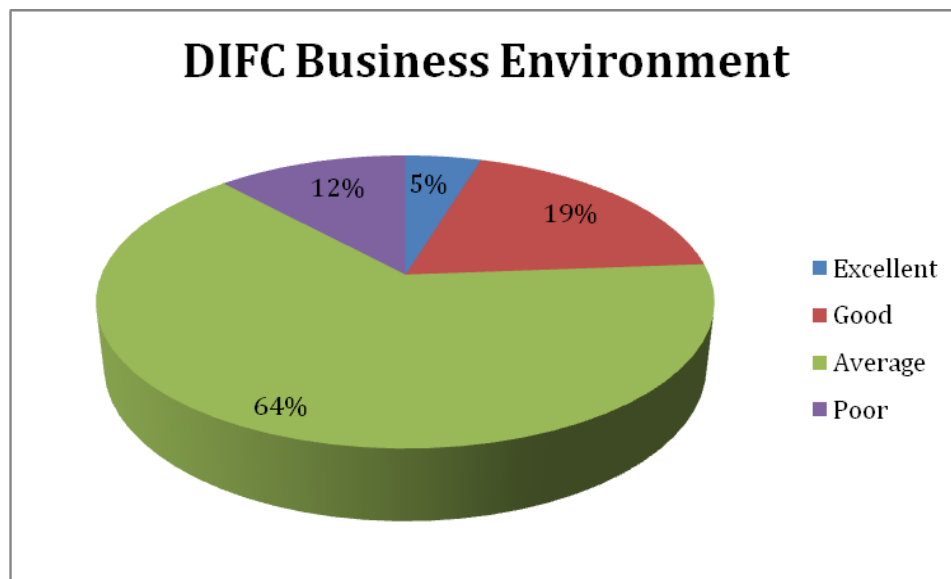


Figure 9: DIFC Business Environment rating percentage

From the responses it is clear that a majority of the respondents do not view the business environment of the DIFC as helpful. Almost 64% of them have rated it average and 12% rated it as poor. This indicates that DIFC needs to review its business environment and make it in line with the expectations of its stakeholders.

### Q7. What is the level of professionalism in the DIFC?

High  Medium  Low

| Professionalism | Frequency | %          |
|-----------------|-----------|------------|
| High            | -         |            |
| Medium          | 17        | 40         |
| Low             | 25        | 60         |
| <b>Total</b>    | <b>42</b> | <b>100</b> |

Table 10: Level of professionalism in the DIFC

Professionalism is viewed in terms of the level of knowledge of the people and service provided by them to their clients. Due to the unique cultural and demographic characteristics of Dubai, attracting highly skilled people has been a challenge. Other destinations are more appealing to highly qualified professionals; this may explain the findings for this question. It is medium level of professionalism.

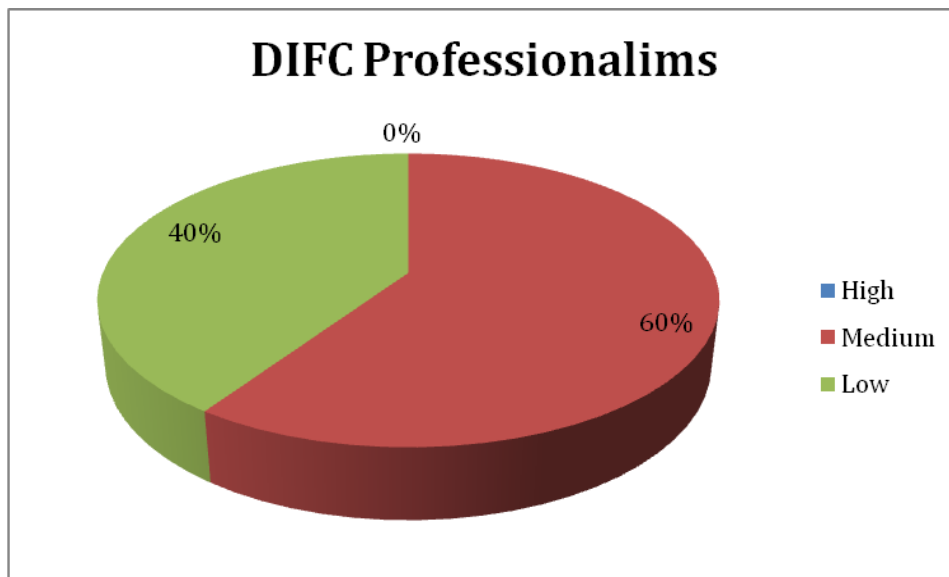


Figure 10: Rating of Professionalism at DIFC

**Q8. How easy is it to set up a business in the DIFC?**

Rate on a scale of 1-5 (1 = very difficult & 5 = very easy)

1     2     3     4     5

| Ease of Business Setup in DIFC | Frequency | %          |
|--------------------------------|-----------|------------|
| Very Difficult = 1             | 29        | 69         |
| Difficult = 2                  | 13        | 31         |
| Normal = 3                     | -         |            |
| Easy = 4                       | -         |            |
| Very Easy = 5                  | -         |            |
| <b>Total</b>                   | <b>42</b> | <b>100</b> |

Table 11: Ease of Business Setup in DIFC

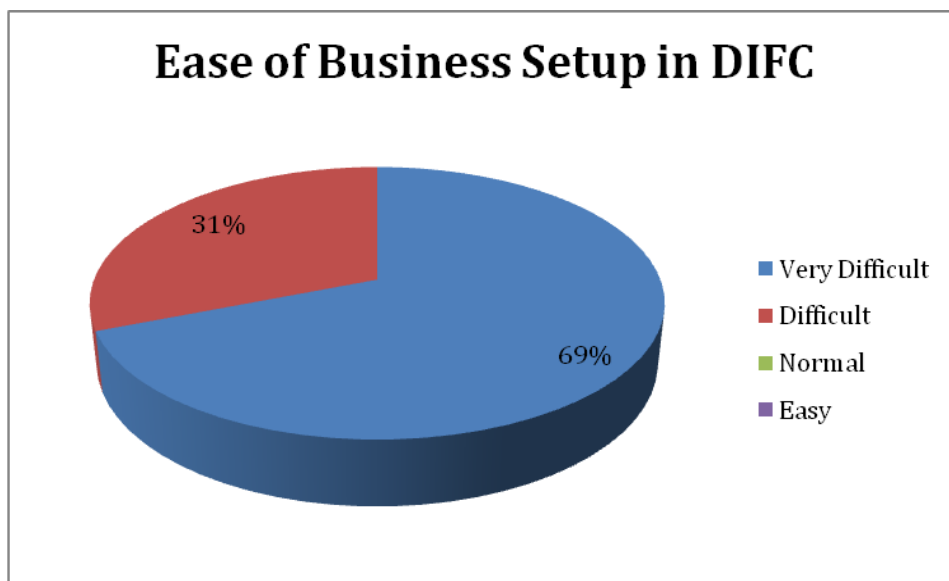


Figure 11: Ease of Business Setup in DIFC

The business setup process in the DIFC is rated as very difficult by almost 69% of the respondents, followed by 31% who rate it as difficult.

**Q9. How do you rate the quality of overall infrastructure in the DIFC / Dubai?**

Excellent  Good  Average  Poor

| DIFC Infrastructure | Frequency | %          |
|---------------------|-----------|------------|
| Excellent           | 28        | 67         |
| Good                | 09        | 21         |
| Average             | 05        | 12         |
| Poor                | -         |            |
| <b>Total</b>        | <b>42</b> | <b>100</b> |

Table 12: Rating of DIFC Infrastructure

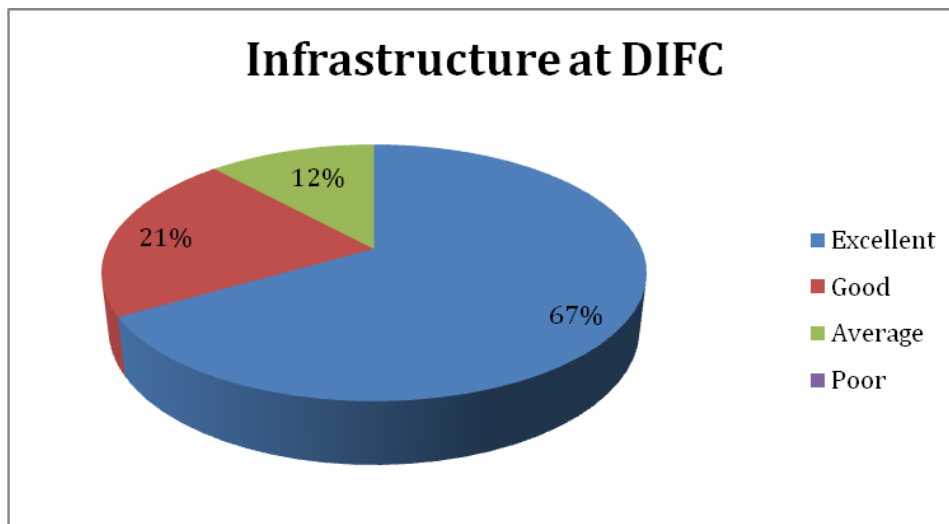


Figure 12: Infrastructure rating at DIFC

The saving grace for the DIFC is the excellent infrastructure created by the authorities, which is on par with the best in the world. Almost 88% of the respondents have given a favourable rating for the infrastructure at DIFC.

**Q10. How do you rate the regulation of NASDAQ Dubai securities exchange?**

Rate on a scale of 1-5 (1 = Highly Ineffective & 5 = Highly Effective)

1  2  3  4  5

| NASDAQ Dubai Regulatory Framework | Frequency | %          |
|-----------------------------------|-----------|------------|
| Highly Ineffective = 1            | 04        | 9          |
| Ineffective = 2                   | 07        | 17         |
| Average = 3                       | 26        | 62         |
| Effective = 4                     | 05        | 12         |
| Highly Ineffective = 5            |           |            |
|                                   | <b>42</b> | <b>100</b> |

Table 13: NASDAQ Dubai Regulatory Framework

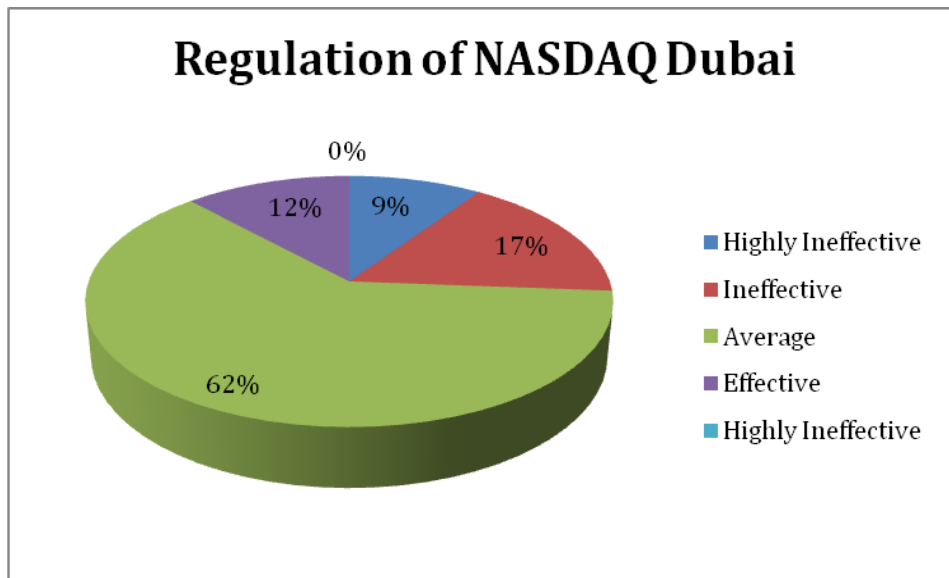


Figure 13: Regulation of NASDAQ Dubai

The regulation at NASDAQ Dubai is rated as weak by almost 62% of the respondents. And 26% of the respondents view it as not being effective.

**Q11. How do you rate the judicial independence of the DIFC Judicial Authority?**

Rate on a scale of 1-5 (1 = heavily influenced & 5 = entirely independent)

1     2     3     4     5

| Judicial Independence of DJA | Frequency | %          |
|------------------------------|-----------|------------|
| Heavily Influenced = 1       | 0         | -          |
| Influenced = 2               | 0         | -          |
| Neutral = 3                  | 03        | 7          |
| Independent = 4              | 10        | 24         |
| Entirely Independent = 5     | 29        | 69         |
|                              | <b>42</b> | <b>100</b> |

Table 14: Judicial Independence of DJA

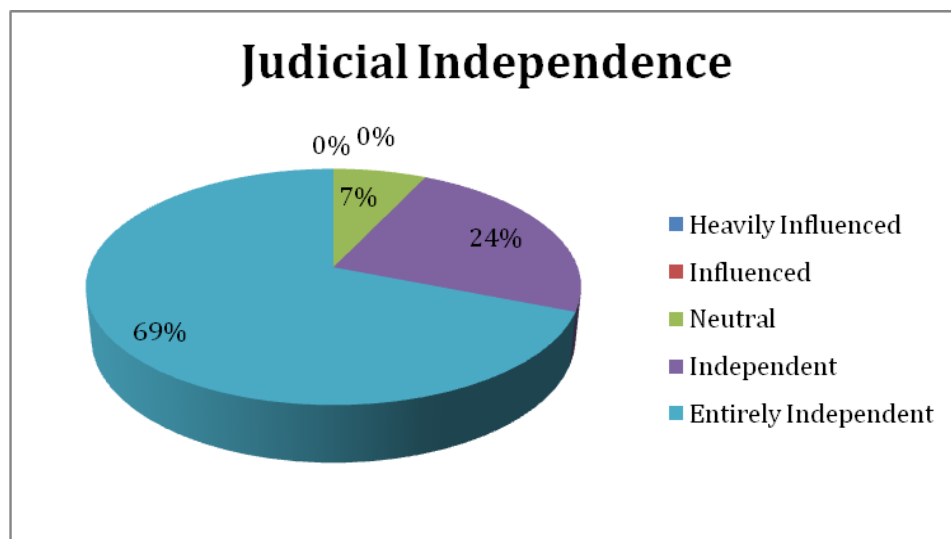


Figure 14: DJA Judicial Independence - rating

Another positive view the respondents had about DIFC is regarding the judicial independence of the DIFC Judicial Authority. 69% of the respondents consider it as entirely independent. Such is perception among its stakeholders is good for the long term success of DIFC.

**Q12. How do you rate the sophistication of the DIFC in terms of the range of financial services offered?**

Rate on a scale of 1-5 (1 = Very Poor by international standards & 5 = Very Excellent by international standards)

1     2     3     4     5

| DIFC Financial Services |     | Frequency | %          |
|-------------------------|-----|-----------|------------|
| Very Poor               | = 1 | 11        | 14         |
| Poor                    | = 2 | 25        | 26         |
| Neutral                 | = 3 | 06        | 60         |
| Excellent               | = 4 | 0         | -          |
| Very excellent          | = 5 | 0         | -          |
|                         |     | <b>42</b> | <b>100</b> |

Table 15: DIFC Financial Services

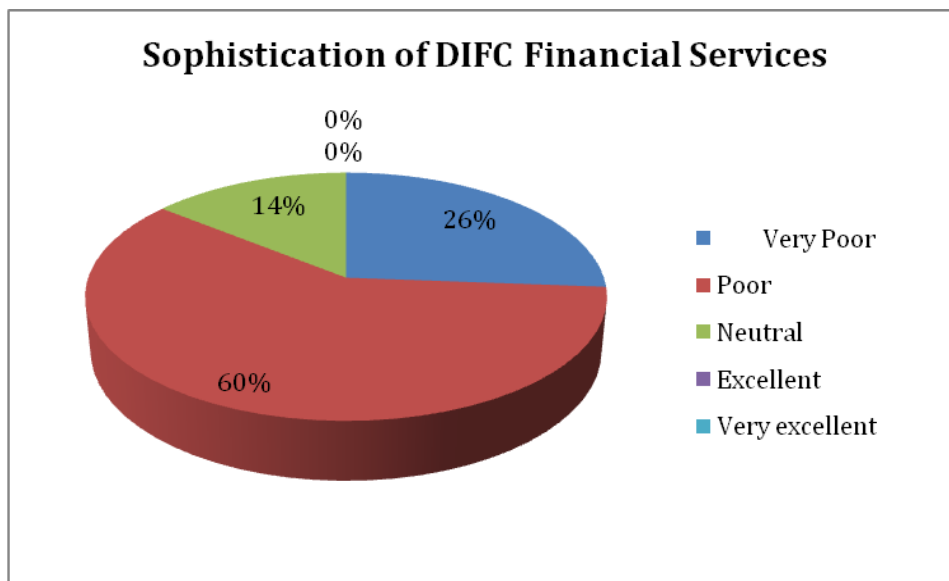


Figure 15: Sophistication of DIFC Financial Services

The range and sophistication of financial products and services offered by DIFC based institutions is rated by 60% of the respondents as poor by international standards.

**Q13. With the launch of DIFC has it become much easier or more difficult to obtain credit / bank loans for companies?**

Rate on a scale of 1-5 (1 = more difficult & 5 = much easier)

1  2  3  4  5

| DIFC / Loans       | Frequency | %          |
|--------------------|-----------|------------|
| More Difficult = 1 | 0         |            |
| Difficult = 2      | 07        | 17         |
| Neutral = 3        | 06        | 14         |
| Easy = 4           | 25        | 60         |
| Very Easy = 5      | 04        | 9          |
|                    | <b>42</b> | <b>100</b> |

Table 16: DIFC Facilitation in Obtaining credit facilities

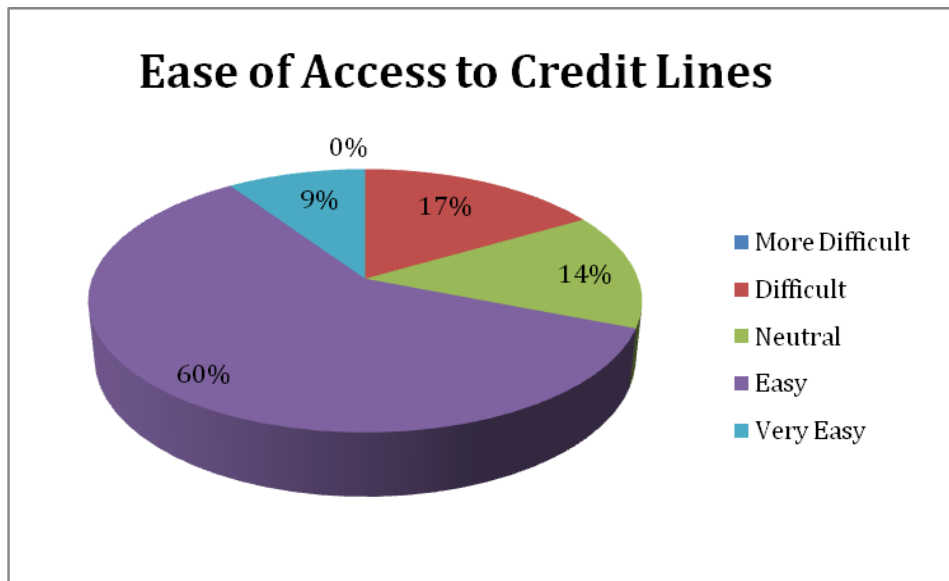


Figure 16: Ease of Access to Credit Lines

DIFC with its partners seems to have made it easier for businesses in the region to access capital. 60% of the respondents have indicated that it has become easier for businesses to get credit or loans from financial institutions in the DIFC.



### Section III

For each of the comparison factors please tick which destination is better: DIFC or Singapore

| Comparison Factors                           | DIFC      | Singapore |
|--|-----------|-----------|
| <b>Business Environment</b>                  | <b>14</b> | <b>38</b> |
| <b>Ease of Business Setup</b>                | <b>19</b> | <b>33</b> |
| <b>Cost of Setting up a business</b>         | <b>16</b> | <b>40</b> |
| <b>Availability of Professional Manpower</b> | <b>11</b> | <b>42</b> |
| <b>Quality of Overall Infrastructure</b>     | <b>36</b> | <b>30</b> |
| <b>Location</b>                              | <b>34</b> | <b>18</b> |
| <b>Corporate Governance</b>                  | <b>20</b> | <b>35</b> |
| <b>Judicial Independence</b>                 | <b>34</b> | <b>22</b> |
| <b>Sophistication of financial products</b>  | <b>12</b> | <b>42</b> |
| <b>Ease of obtaining credit / loans</b>      | <b>23</b> | <b>34</b> |

Table 17: Comparison Factors

From the responses to this comparative analysis of DIFC and Singapore it is clear that Singapore is way ahead of DIFC in a number of key factors. For factors such as the business environment, ease and cost of setting up business, availability of professionals, range of financial products and access to credit / loans, Singapore is rated much higher than DIFC. DIFC on the otherhand has some advantages like its ideal location, Dubai, which is the gateway to the cash rich Gulf region and also acts as a link between the east and the west. Furthermore DIFC also rates high on Judicial independence as compared to Singapore.

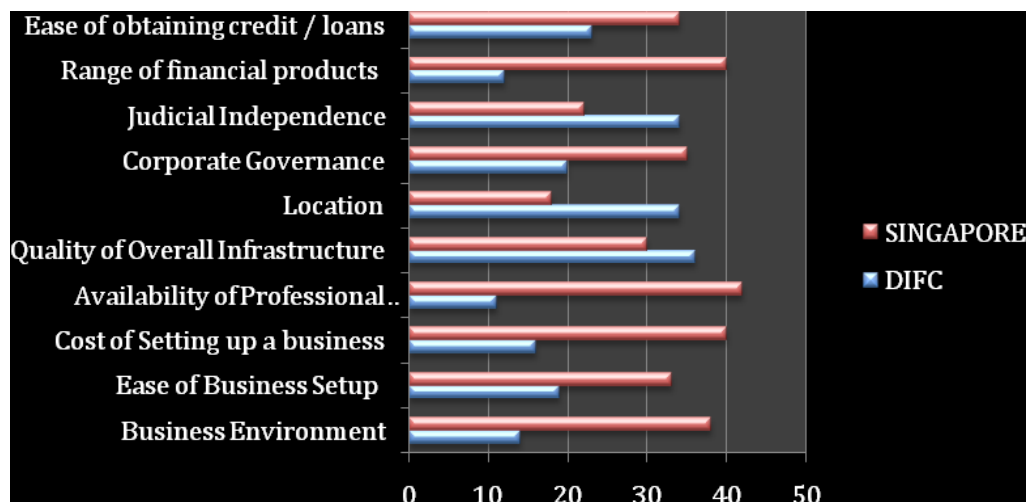


Figure 17: Comparison Factors

**Case Processing Summary**

|                   | Cases |         |         |         |       |         |
|-------------------|-------|---------|---------|---------|-------|---------|
|                   | Valid |         | Missing |         | Total |         |
|                   | N     | Percent | N       | Percent | N     | Percent |
| DIFC or Singapore | 42    | 100.0%  | 0       | .0%     | 42    | 100.0%  |

**DIFC or Singapore Comparison Crosstabulation**

|       |                 | Business Environment | Infrastructure | Governance | Range of Financial Services | Total  |
|-------|-----------------|----------------------|----------------|------------|-----------------------------|--------|
| Total | Count           | 52                   | 66             | 55         | 54                          | 237    |
|       | Expected Count  | 52.0                 | 66.0           | 55.0       | 54.0                        | 237.0  |
|       | % within Region | 23.4%                | 27.4%          | 24.8%      | 24.4%                       | 100.0% |
|       | % within        | 100.0%               | 100.0%         | 100.0%     | 100.0%                      | 100.0% |

**Chi-Square Tests**

|                              | Value                | df | Asymp. Sig. (2-sided) |
|------------------------------|----------------------|----|-----------------------|
| Pearson Chi-Square           | 105.057 <sup>a</sup> | 12 | .000                  |
| Likelihood Ratio             | 109.599              | 12 | .000                  |
| Linear-by-Linear Association | 36.305               | 1  | .000                  |
| N of Valid Cases             | 237                  |    |                       |

**Symmetric Measures**

|                    |                         | Value | Approx. Sig. |
|--------------------|-------------------------|-------|--------------|
| Nominal by Nominal | Phi                     | .719  | .000         |
|                    | Cramer's V              | .415  | .000         |
|                    | Contingency Coefficient | .584  | .000         |
| N of Valid Cases   |                         | 237   |              |

Since pearson Chi-Square p value  $<.01$  there is a strong preference for one destination over the other due to various aspects as shown in the table above.

## **CHAPTER 6: CONCLUSION**

The aim of this study was to analyze and compare the two financial centers; DIFC and Singapore. Based on the study conducted as part of this research the following conclusions are drawn. The findings of the study are in line with the wider findings of other researchers and institutions such as the World Economic Forum financial development report (2011) and the KPMG International Financial Centers Assessment report (2009).

Opinions of the respondents differed due to their professional background and the level of interaction they had with DIFC and Singapore.

For a location to become a successful international financial centre an appropriate business environment is essential. From the survey it is clear that Singapore stands way ahead of DIFC in terms of the business environment as it is much easier to setup a business in Singapore and the cost of doing business there is much less and the corporate governance and regulatory framework is better.

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

The findings of this survey are in line with the findings of the 2009 KPMG report on International financial centres competitive assessment. The KPMG report ranks DIFC, in seventh position by virtue of its strong performance in capability measurement. Its robust performance shown by the rankings on the back of its strong scores on capability factors potentially mirrors Singapore's rankings. DIFC has certain competitive advantages which helped it achieve the 7th position in just a short period of time leaving behind Frankfurt and Luxembourg.

Having easy access to a pool of qualified financial professionals is key to the success of an IFC. In a globalised world attracting and retaining key talent is a challenge and Singapore with its high standard of living and liberal culture is more preferred by professionals than Dubai / DIFC. The standard of professionalism is good in DIFC but there may be other reasons for highly qualified professionals for choosing Singapore over Dubai/DIFC.

The success of a financial centre also depends on the supporting infrastructure. The huge investments made by the Government of Dubai in transport, telecommunications, energy and industrial infrastructure has played a significant role in the success achieved by DIFC so far and continues to present Dubai-DIFC as an attractive business destination. The information and communication technology infrastructure in Dubai is on par with the best in the world and it plays a critical role for financial firms with their data-intensive work.

The primary factor behind DIFC's improved performance, however, is its strong capabilities. DIFC is an example of a financial centre where all soft and hard infrastructure has been purposely built to encourage financial services activity. This provides DIFC with a natural advantage since the best practice in laws, regulations and supporting infrastructure have been selected from various jurisdictions around the world, giving it a unique competitive advantage which is reflected in its strong showing in the capability measurement pillar. Since its inception, DIFC has created a strong business environment coupled with a very competitive cost structure. A highly flexible labour market, strong infrastructure, a responsive government and a zero percent tax regime gives it a high capability as a financial centre.

Another feather in the cap of DIFC is the independent Judicial Authority setup by it, which a majority of the respondents perceive it as entirely independent. This is a positive sign as it signals greater confidence to the wider business community.

The range and depth of financial services offered by DIFC is still far behind as compared to Singapore. This may partly be due to the fact that DIFC is still young and as the range of its partners widens so will the financial products and services it offers.

DIFC has definitely helped local and regional businesses access capital. It has facilitated access to capital and loans and helped in the business and economic development of Dubai and the region.

The 2009 KPMG report ranks DIFC third in the capability measurement. DIFC's ranking results from a strong performance across the three factors of business environment, cost of doing business and cost of living. It's a feather in the cap for DIFC as it is ranked much ahead of traditional leaders such as London and New York.

As one of the youngest international financial centres which has performed so well in just five years DIFC is ideally poised to achieve the standards set by Singapore for financial centres. By addressing the challenges facing DIFC and by benchmarking the performance of Singapore, DIFC can in the next five years give tough competition to Singapore for the no.1 international financial centre ranking.

## RECOMMENDATIONS

The DIFC, being a zero tax jurisdiction, has clear advantages and it needs to highlight its distinct advantages to attract more and more financial intermediaries from around the world. A wider mix of financial intermediaries will help, DIFC to further expand the portfolio of financial products and services offered by its partners thereby making it the preferred destination for doing business.

The DIFC fares well in areas such as legal and regulatory environment (2009 KPMG report rank 5) largely due to the fact that its structure is based on English common law and an independent judiciary. DIFC also provides easy access to financial markets and a high level of flexibility in employing workers, as a result of contract-based recruitment. But if DIFC aims to be ranked among the top 3 IFCs then it needs to benchmark the practices adopted by Singapore, Zurich and Luxembourg, who are ahead of DIFC on this account.

DIFC has a critical mass of financial service businesses and its growth trajectory closely resembles the early development of Singapore and Hong Kong. There is still a tremendous opportunity to grow further, given the business environment and tax advantages DIFC offers. DIFC operates within one of the fastest growing regions of the world. The location of DIFC provides it with a natural advantage. While the West and the Far East have more than a few established financial centres catering to those markets, the Middle East and South Asia regions currently do not have mature financial centres to form the vital link with international markets.

DIFC has been established to bridge the gap for a financial centre between the West and Far East. DIFC has immense potential for improving its already impressive rankings to become a strong international financial centre. The strengths driving DIFC not only come from its high regulatory standards, independent judicial system and strong value offering for businesses, but also from the infrastructure and business environment offered by Dubai and the UAE. A strong collaborative relationship between DIFC, Dubai and UAE will serve to enhance the prominence of Dubai, UAE and the region in the financial services industry in the future.

## BIBLIOGRAPHY

Allport, G. (1961). *Patterns and growth in personality*. New York: Holt, Rinehart, and Winston.

Allen & Overy report (2009), *Life after Lehman*, retrieved from <http://www.prurgent.com/2009-09-11/pressrelease54582.htm> , accessed on 1 April 2012

Bartunek, J. M. and Seo, M.-G. (2002), Qualitative research can add new meanings to quantitative research, *Journal of Organizational Behavior*, Volume 23, Issue 2, pages 237–242, March 2002.

BIS, *Report on Special Purpose Entities* (2010). The Basel Committee on Banking Supervision. Basel: Bank for International Settlements.

Bickman, L., & Rog, D. (Eds). (2009). *The handbook of applied social research methods*. Los Angeles, CA: Sage Publications Inc.

Cao, Y., Quek. L.N (1995). *Financial Growth in Singapore*. Working paper, Nanyang Technological University

Chakrabarty, K.C.(2011), “Financial Inclusion”, Presentation at St. Xavier’s College, Mumbai on September 7, 2011

Choi, S, A Tschoegl and C Yu “Banks and the world’s major banking centers”, *Weltwirtschaftliches Archiv* 132(4) and 139(3).

DIFC ( 2011). Official website of DIFC, retrieved from <http://www.difc.ae> accessed on 23 March 2012

DIFC (2011). *Dubai International Financial Centre: The Gateway to Regional Capital*, GMB Publishing, UAE.

Gall, M. D., Borg, W. R., & Gall, J. P. (1996). *Educational research: An introduction* (6thed.). White Plains, NY: Longman.

Gimblett, B (2006). *What is research design*. Accessed on August 10, 2011

From <http://www.nyu.edu/classes/bkg/methods/005847ch1.pdf>.

Green, S. (2008). *The financial crisis and the shift from west to east*. FT/DIFC World Financial Centres Summit. Dubai.

Jarvis, D. S. L (2009), *Race for the Money: International Financial Centers in Asia* (Lee Kuan Yew School of Public Policy Research Paper No. LKYSPP09-012-CAG005).

Jao, Y.C. (1997). *Hong Kong as an International Financial Centre: Evolution, Prospects and Policies*. Hong Kong: City University of Hong Kong Press.

- Jao Y.C., (2003), "Shanghai and Hong Kong as International Financial Centres: Historical Perspective and Contemporary Analysis", Working Paper No. 1071, Hong Kong Institute of Economics and Business Strategy.
- Kui, N.B.,(1998). Hong Kong and Singapore as International Financial Centres: A Comparative Functional Perspective, working paper, Nanyang Technological University, Singapore.
- Kaufman G., (1999). "Emerging Economies and International Financial Centers", Review of Pacific Basin Financial Market and Policies, Vol. 4, No. 4, 365 – 377
- Kindleberger, C. P. (1974). The Formation of Financial Centers: A Study in Comparative Economic History, Princeton Studies in International Finance No.38.
- KPMG (2009). International financial centres competitive assessment report, DIFC.
- Lincoln, Y. S., & Guba, E. (1985). Naturalistic enquiry. Beverly Hills, CA: Sage.
- Leedy, P. & Ormrod, J. (2005). A handbook for teacher research from design to implementation. New Jersey: Pearson Education
- Lenvine, R. (2004) "Finance and Growth: Theory and Evidence." NBER Working Paper No. 10766. Cambridge: National Bureau of Economic Research.
- Mintzberg, H. (1979). An emerging strategy of "direct" research. Administrative Science Quarterly 24(4), pp. 528-589.
- Martin, J. (2002). Organisational Culture: Mapping the Terrain. Thousand Oaks, CA: Sage.
- Mainelli, Michael (2006), "Global Financial Centres: One, Two, Three . . . Infinity?" Journal of Risk Finance, 7(2), March.
- Merton, Robert C. and Bodies, Zvi (1995), "A Conceptual Framework for Analyzing The Financial Environment", in Crane, Dwight B. et. al. (eds.), The Global Financial System: A Functional Perspective, Boston: Harvard Business School Press.
- Poon, J.P.H, (2003), "Hierarchical Tendencies of Capital Markets among International Financial Centers", Growth and Change, Spring 2003, Vol. 34, No. 2, 135 – 136.
- Pacione, M. (2005). City profile, Dubai, Cities, Vol. 22, No. 3, p. 255–265, 2005
- Reichardt, C. and Cook T. (1979). Beyond qualitative versus quantitative methods. In: Cook T. and Reichardt, C. eds. Qualitative and quantitative methods in evaluation and research. CA: Sage Publishing.
- Reed, H. C. (1980), The Ascent of Tokyo as an International Financial Center, Journal of International Business Studies, Vol. 11, Issue 3, pp. 19-35, 1980.
- Tschoegl, Adrian E. (2000) "International Banking Centers, Geography, and Foreign Banks," Financial Markets, Institutions & Instruments 9 (1), pp.1-32.
- Tuckman, B.W. (1988). Conducting educational research. New York: Harcourt, Brace, Jovanovich Publishers.



UAE COUNTRY ANALYSIS (2011), Energy data, statistics and analysis, Energy information administration.

Yong, C., Nah, Q. (1995). Financial Growth in Singapore. Singapore, Nanyang Business School, Nanyang Technological University. **1**: 155-186.

Wiersma, W. (1995). Research methods in education: An introduction (Sixth edition). Boston: Allyn and Bacon.

World Economic Forum (2011). The Financial Development Report, World Economic Forum.