



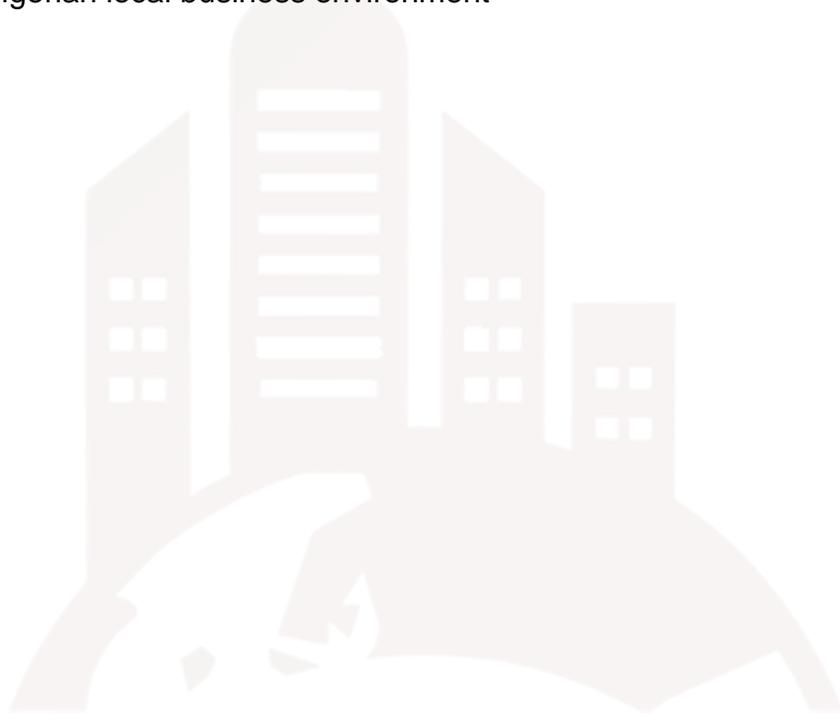
CREATING AN INTERNATIONAL FINANCIAL CENTER IN NIGERIA

Specifics of the DIFC, KIFC and AIFC and how an IFC can apply to the Nigerian local business environment.

August 2022

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Abelar

Cesare Adeniyi-Martins

Flourish Okonkwo

Daniel Iduwe

Opeyemi Adewole

Cesare Adeniyi-Martins is the founder of Abelar. For inquiries about this report contact cesare@abelar.org



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EXECUTIVE SUMMARY

Investors desire emerging markets. However, many of these emerging economies lack the sound institutions that are needed to nurture and foster economic growth and encourage investment. The absence of the right economic environment to nurture businesses results in fewer income opportunities for the citizens of these developing nations. This has led to poverty and a low standard of living amongst developing nations. In the late 20th and early 21st century, entrepreneurial initiatives centred around technology changed the world. The same entrepreneurial spirit can be applied to other socio-economic environments, one of which is the establishment of International Financial Centres (IFCs) to battle the challenges characterised by financial intermediation and dispute resolute.

Creating an International Financial Centre is a broad venture which has a long-term execution span. It is a national agenda that should be driven by both public and private actors. The purpose of this report is to examine the major components and elements that are involved in the creation an International Financial Centre and to give elementary thoughts and ideas to think of. The report uses case studies from the Dubai International Financial Centre (DIFC), Astana International Financial Centre (DIFC), and the Kigali International financial centre (KIFC) to develop a structure that is necessary for setting up an International Financial Centre. The report started by

outlining the different categories of International Financial Centres and how to develop a strategy for an IFC. It expounded on the major component and their structure; the administrative body, the court system and its enforceability, and the finance centre. The court system must be built with optimal structure, accepted by governments and people, and efficient in the settlement of disputes. The financial centre must have a conducive environment to facilitate financial intermediation in the centre and link financial services to the rest of the world. The administrative body must have highly experienced individuals who have years of expertise in this field for the smooth operation of the centre and to attract its potential markets. Furthermore, it explores some case studies, provisions within the laws of the Nigerian Export Processing Zone Authority, a few sectorial customizations, and the opportunities for a Nigerian international financial centre.

International Financial Centres (IFCs) are powerful tools to create economic success. This work is ideal to give a perspective on the major components and various elements of building an IFC for intending builders as well as preliminary ideas to think of before venturing into the project. We hope this comprehensive elementary framework suffices. Abelar stands ready to continue to develop more customised reports and provide assistance to this project.

INTRODUCTION

Evolution

In the financial arena, the infrastructure is so vast and so expensive to construct that individual players have naturally sought to keep costs down by grouping many related activities in one location, more often than not close to a stock exchange's trading floor. This drive towards greater concentration was so strong all around the developed world that

it finally gave birth to the so-called financial centres. Whilst most such places confined their business to their immediate horizons, either local or national, a select few extended their activities way beyond their original and natural territory to turn themselves into international financial centres (Youssef Cassis 2006, 2010).

Definition

The definition of a financial centre is bound up with the definition of a city. We can start by observing that financial centres are cities or districts of cities where finance is conducted (Z/Yen & Gresham Professor of Commerce, 2009).

The International Financial Centre (IFCs) refers to the City or its district:

1. that has a heavy concentration of financial institutions;
2. that offers a highly developed commercial and communications infrastructure; and

3. where a great number of domestic and international trading transactions are conducted. (Wikinvest).

International Financial Centres (IFCs) have come to represent a major economic stake. The advantages that they bring, especially in terms of jobs, incomes and wealth concentration, to the countries and cities that host them seem highly desirable. (Cassis, Y. 2006–2010).

Context

International Financial Centres are becoming pivotal in the world today to create trust and certainty while trapping investment in a particular jurisdiction. Developing nations are experiencing gaps in sound legal infrastructure and financial systems hostile to businesses and this deters the confidence of investors. Developing an International Financial Centre in emerging markets is becoming increasingly relevant to building investors' trust in said jurisdictions. It is a national agenda that should be driven by public and private actors

International financial centres adopt different categories and customization. They usually take advantage of how the centre influences the regional financial system. They specialise in specific kinds of services that give them an innovative edge over others. They also take cognisance of the state of the global political economy while others focus on a specific niche. The key to building an International Financial Centre is the safety of investment, certainty in dispute resolution, and familiarity with the system.

The financial system procures local and foreign investment and ensures investors that there will be reliability and predictability in the centre. The trust element to it establishes the court at the centre which ensures judicial fairness in resolving disputes. The administrative body is responsible for the management of the centre. The report also explores the categories and strategies for building an IFC, the major components of an IFC, highlights several case studies and the specifics of other IFCs, and adaptability to local businesses in Nigeria.

We recommend that in creating a new centre these components can be adopted with the case studies that apply to creating a successful financial centre.

BUILDING AN INTERNATIONAL FINANCIAL CENTRE

In building a new International Finance Centre, there must be a trust element to financial services. When designing a new financial system, we need the administrative element, the set of courts and the financial centre to make the people accept and adopt the system. The importance of setting up the dispute resolution side of the centre as well as the administrative body is to ensure safety, security and familiarity with the

investors it would attract. Apparently, to create an arrangement for this new system, necessary findings on some pertinent questions has to be made. How has a contract been enforced before and what are the bane of financial intermediation in the existing system? How does it look like in the present and what would it look like in the future? How do we make a broad multicultural system be adaptable to the new

system? How does the IFC attract these clients?

Different Categories of International Financial Centres

Global Financial Centres: Global Financial Centres have amassed a gargantuan level of institutions for financial intermediation that cuts across international, regional, and national financial services participants. For examples include New York and London.

International Financial Centres: They conduct a high volume of cross-border transactions involving at least two locations in different jurisdictions. For example, Hong Kong and Dubai is an international financial centre that is involved in a significant proportion of Asian financial transactions.

Niche Financial Centres: They are world leaders based on their sheer strength in one particular sector of financial services. Examples include Zurich and private banking, Astana and green technology.

Regional Financial Centre: They are centres that conduct a large proportion of regional business within one country. Kigali International Financial Centre is positioning itself to be a regional centre for eastern Africa.

DEVELOPING A STRATEGY FOR AN INTERNATIONAL FINANCIAL CENTRE (IFC)

It is pertinent to have a clear strategy when building an International Financial Centre (IFC). A strategy for an IFC is a national agenda that must be driven by public and private actors.

Vision: A vision is pertinent in creating a framework of what we want to achieve with an IFC. It explains a long-term goal of an IFC by identifying its key strength: What do we want to create?

What would make it successful? A vision for an IFC will be able to make it much more likely to succeed if it is custom-designed.

Taste and preference: Taste and preference of people within the environment of the IFC are paramount. Culture and beliefs rooted in the history of people and navigating through them are pivotal to the economic outcome of the IFC. What the new system requires from the old includes a combination of government and customer preferences. The IFC must create an arrangement that will

allow buy-in from governments, the existing legal system and the users of this system.

Political economy: This explains the level of decentralisation that the global market and local players possess in influencing the formulation and implementation of policies as well as economic outcomes. The extent to which the government accepts the policy by market actors to create a globalized economy within an International Financial Centre is necessary for its implementation. A movement toward a less connected world by political institutions is not scalable for IFCs which has adverse effects on IFCs. Deglobalization describes the periods of history when economic trade and investment between countries decline.

Enforcement of contract: Dispute resolution is a core aspect of building a city. Enterprises want to situate where there is a

certain level of familiarity, trust, and enforceability in their court system. The first is *efficiency* which measures how disputes handle cases quickly, fairly and at a lower cost designed for people and businesses within the city. The second is an *optimal structure* which refers to how the court is built within the existing judicial framework of the country and the availability of options such as small claims and alternative dispute resolution systems. The third is *legitimacy* which measures how the court's effectiveness can lead to buy-in from governments, local, and foreign investors. For instance, if Mauritania borrows money from a London bank and the contract states that arbitration is settled in the London court. If Mauritania defaults, the London bank case will be enforceable with efficiency. However, if the London bank defaults, the Mauritania case might not be enforceable due to bureaucracy in arbitration process.

The Dubai International Financial Centre (DIFC) Strategy

Vision: The Dubai International Financial Centre (DIFC) wanted to act as a hub for the movement of commerce (Ports, Free Zones) and people (Airlines) between East and West. It wanted the transfer money to pay for commerce and people from East and West to Dubai. However, it needed the component to trap finance to the United Arab Emirate from the Western world.

Taste and Preference: The DIFC needed to be trusted with the movement of money. The question was “where is the trust for the western world to bring their investments” since there is a language that is unfamiliar to the West, Arabic. The DIFC set up English as

the common language for communication within its centre to allow the buy-in of people (investors).

Political economy: In 2004, the world was moving from a de-globalized economy to a globalising world which was an advantage to the establishment of the DIFC. Global governments were more interested in trade. The government in Dubai was adaptable to change and innovation. They primarily championed the establishment of the DIFC.

Enforcement of contracts: The DIFC needed the familiarity present in IFCs Like London, Sydney, and New York. Unfamiliar

laws were present: Sharia law, Civil law, and Legacy law. The DIFC however changed the system they perceived as hindrances to be adaptable to the West. They imported a new set of Laws from the English common law

and organised their court system in English. This built certainty in the Judicial system. These strategic elements led to *judicial reform*.

MAJOR COMPONENTS OF AN IFC

The key components of an IFC are; The administrative body, the court system, and the financial centre.

Components of Dubai International Financial Centre

An authorizing agency that would be the regulatory body overseeing employment law, corporate law, commercial law, and real estate.

A regulatory agency that would oversee all financial matters involving the DIFC, and

A set of common-law courts that receives hearings of cases. Since 2011, the DIFC Courts additionally were granted jurisdiction over any commercial matter (domestic or international) so long as all parties gave consent.

THE ADMINISTRATIVE BODY

The administrative body of an International Financial Centre (IFC) is usually composed of persons with the knowledge and technical skills of how they operate in general. Usually, an International Financial Centre would comprise experts from various fields inclusive of the finance sector, the legal sector, the tech sector and most importantly, representatives of the federal body to be abreast with the affairs of the IFC. Without a

flinch, it is needful to have these persons on the administrative panel of an IFC in order to cater for changes and contingencies that might occur in the operations of the IFC. This body will be responsible for policies that are brought about to govern IFCs. IFCs are a niche of their own and every policy that is created will have to work with that niche. Change and innovation in these sectors will require a change in the laws. An International

Financial Centre is a hub for financial investments and exchange that seeks to embrace and interact with local businesses as well as foreign businesses and individuals outside the jurisdiction of the host country. Hence it is very much pertinent to the administration of the financial centre that the administrators have a working knowledge of how laws, finance and management intersect to boost operations within an IFC.

The complexities of an IFC entail the need for a skilful and exposed administrative body to ensure flexibility and workability in the IFC. While the variety of products and services an IFC can provide is significant, choosing one

IFC over another will typically be determined by other factors, not the least of which is the current commercial environment. The top five factors that people typically take into account when utilising or recommending an IFC are compliance, political stability, economic stability, regulatory and legal protections, and tax obligations. All of those take precedence over a jurisdiction that has the ability to foster a business-friendly atmosphere that hinges only on fiscal incentives. These factors are pivotal regardless of how handy a location may be in terms of language, geography, or regional connectivity.

Administrative Offices

A proposed “Nigeria International Financial Centre (NIFC)” should comprise individuals who have the exposure and the skills to properly manage the operations of the IFC. The appointment process must not be a wash and dry process, but an insightful selection of experienced individuals who have over time shown involvement and expertise in the finance, tech and legal sector.

Chief executive officer: The chief executive officer shall be duly appointed by the authority and shall be saddled with the

responsibility of setting the strategies and growth direction of the NIFC.

Chief financial officer: The authority shall appoint the chief financial officer, and shall be saddled with the responsibilities of overseeing the overall performance of the NIFC authority, NIFC investments and LLC and its subsidiary, registrar of real properties, registrar of companies, and other entities. He is in charge of developing and reviewing crucial financial controls, operational procedures, and management reporting, as well as evaluating management and

investment prospects and providing support to the CEOs and the Board of Directors.

Chief business developer: The chief business developer is responsible for overseeing the implementation of business development strategies to heighten NIFC profitability. The chief business developer is further charged with the responsibility of leading a team of business development and sales professionals, identifying business opportunities to pursue and creating business proposals to support their ideas.

Chief legal officer: The chief legal officer is saddled with the responsibility of overseeing the legal division in the NIFC. The chief legal officer is further saddled with secretarial duties to the NIFC board. Inclusive of the chief legal officer's duties are:

- Developing and leading internal audit and corporate compliance programs.
- Overseeing the delivery of legal services and resources to accomplish corporate goals, strategies and priorities.
- Maintaining proper corporate interactions with the relevant local, state and federal governmental bodies, legislatures and the community at large.
- Advising the CEO and other senior corporate officers on a variety of issues.

- Participating in the formulation of general management policy as a member of the executive management team.
- Managing a team of corporate counsel and other members of the legal department.

Chief executive officer- property management: The Chief Executive Officer is mandated to devise initiatives in the property management function of the Nigeria International Financial Centre (NIFC), including commercial activities, community management, facilities management and security.

Executive Vice President – Operations: The Executive Vice President of Operations is in charge with the responsibility of overseeing a number of internal functions, including Information Technology, Procurement, Administration, Corporate Development, Government Relations, and Government and Registry Services.

Executive Vice President – FinTech: The Executive Vice President of FinTech is saddled with overseeing the FinTech operations in the region which aims to bring together Financial Institutions, Government entities, technology partners and entrepreneurs to develop technologies that benefit the financial industry.

Senior Vice President – Human

Resources: The senior vice president of human resources is tasked with managing the development of HR strategy and planning in line with the business goals of the NIFC in order to realize the aims and aspirations of the Centre. The senior vice president of human resources is also charged with building an agile and cohesive leadership team, encouraging an enabling and engaging workplace culture, and guaranteeing timely availability of the necessary talent.

Registrar of Companies: By tightening the legal framework for eligible enterprises, the registrar of businesses monitors and controls the business environment in the International Financial Centre. The registrar of businesses is also in charge of making sure businesses may operate in a legal environment that supports entrepreneurship and adheres to international best practices in order to achieve the goals of the NIFC Strategy. The registrar of businesses also collaborates closely with all stakeholders to strengthen NIFC's reputation as a top-tier international financial centre, notably in terms of transparency and convenience of doing business.

Registrar of Real Property: In order to give the finest service possible in terms of quality and efficiency, the registrar of real property is accountable for ensuring compliance with

pertinent laws as well as for aiding in the realization of operational best practices.

In addition to creating and implementing the Real Properties Titles register system, the real estate registrar is accountable for diligently maintaining internal policies that adhere to requirements.

Director of internal audit: The director of the audit at NIFC is in charge of overseeing all internal auditing activities and executing a function that is independent, objective, economical, and effective.

The Board Audit Committee further saddles the director of internal audit with the authority to carry out assurance and consulting tasks in an effort to improve the NIFC Authority's operations.

Director of Property Development and Projects: The NIFC's director of property development and projects is in charge of giving the property development team strategic direction.

The development of the NIFC's hard infrastructure is overseen by the director of property development and projects, who also manages a number of other initiatives meant to assist the expansion of the NIFC Masterplan. In order to realize the plans for the Centres' real estate development and to uphold the highest standards of quality and timeliness, he collaborates with the business

executives at the NIFC. The director is responsible for leading the Property Development and Project Management functions within his role in order to accomplish these goals. The director's other primary areas of interest include overseeing all logistical components to assure the best implementation of strategic goals and providing strategic counselling to support NIFC's property operations.

Director of Marketing & Corporate Communications: The director of Marketing & Corporate Communications is in charge of ensuring that communications between the IFC and other entities are steady and timeously responded to. The director is further saddled with the responsibility of updating the public with information from the IFC.

Administrative Body of the Kigali International Financial Centre (KIFC)

Taking a cue from the administrative board of the Kigali International Financial Centre (KIFC) which comprises 7 directors and 1 chairperson to make up the board. These 8 individuals were combed from all of the sectors listed above to chair the administrative body of the KIFC. Their prolific achievements make them a good fit to

administer the various changes and cater for issues that might eventually spring up in managing an IFC. What is even more deducible from the KIFC administrative board is the level of exposure and knowledge these individuals have garnered both from within Rwanda and outside the jurisdiction.

THE COURT SYSTEM

Judicial reform is very hard to come by. The legal practitioners sitting in the judiciary of a nation-state have been there for years. Laws cannot be easily revamped for a new system without government buy-in, proper consultation from various players, and the intent of the institutional arrangement. The

acceptance of the new laws by legal practitioners, and foreign, and local customers would need to be considered. The Dubai International Financial Centre was built within the Supreme Court of Dubai. The UAE went out of their way to introduce and adopt a new set of laws different from the

sharia law. The English Common law and Civil law were infused into the judicial system of the DIFC court. Dubai was permitted to opt out of the federal judiciary. Examples of jurisdictions with similar models are; China International Commercial Court which was built within China's Supreme Court, and Singapore International Commercial Court was also built within Singapore's Supreme Court.

There are three core values for dispute resolution;

Efficiency measures how dispute handles cases quickly, fairly and at a lower cost and is designed for individuals and large, and small enterprises within the city.

An optimal structure examines how the laws can be written and court can be built within the existing judicial framework of the country.

Legitimacy measures how the court's effectiveness can lead to acceptance from both local investors and foreign investors.

Steps To Creating an IFC Courts

The role of the justice system within an IFC is to provide the best possible fusion of court systems in one. The future of courts is for the best possible world's legal system to synthesize together. It could be coined the "**Trans-systemic Court.**" It refers to finding the best of Mediation, arbitration, litigation, civil and common law, and blending the best possible laws together. The writers of the laws must comprise of experts that have experiences in creating the right sets of laws for IFCs and legal practitioners in the existing jurisdictions.

The steps to creating an IFC court are;

Choosing a legal system for the city

- Civil law
- Common law

Setting the overarching structure of the court system

- Court of the first instance
- Court of appeal
- Court of cassation
- Arbitration Centre
- Small claims court

Establishing and staffing the court system

- Hiring the best set of IFC lawyers around the world and establishing a competitive welfare package

Leveraging technology to save costs and speed up resolution times

- Smart contracts
- Cyber courts and mobile courts

✓ *Mark Beer, OBE predicts that 50 per cent of international contracts will go into smart contracts within a decade. This will promote efficiency in dispute settlement and cryptocurrency payment. Traditional courts cannot innovate ahead of a smart contract since they can't keep up with bureaucratic red tape. Examples of independent private sector smart courts to resolve their dispute are oracle smart courts, WeChat mobile courts, and Amazon AI-based judgement.*

THE DIFC COURTS IN PRACTICE

Introduction

Founded in September 2004, the DIFC Courts served as the adjudicatory forum for all commercial disputes within the DIFC. There is a unified, tiered federal judiciary that has at its apex a Federal Supreme Court. However, Dubai was permitted to opt-out of this system and thus has its own set of courts.

Organisation of the DIFC Courts

The Dispute Resolution Authority is the apex regulatory body of the DIFC courts. It superseded what was formally called the DIFC Judicial Authority. The authority serves as the umbrella structure overseeing the *Centres' Courts*; the *Arbitration Centre*; and any other *tribunals or ancillary bodies* in accordance.

Court of the first instance: It has jurisdiction over civil and commercial cases and disputes. DIFC, DIFC establishments, contracts. Resolves 40 to 50 cases per annum as a result of the small claims tribunal

Court of appeal: The court of last resort hears matters 'filed against judgments and awards made by the Court of First Instance. The Court of appeal resolves 10 cases per annum as a result of the implementation of the Small Claims Tribunal.

Court of cassation: It has the power to try cases contested by the Court of Appeals as a higher judicial body. The judicial body supervises the interpretation of law and proper enforceability. Litigants appeal on the points of law alone as a result of erroneous interpretation and violation of law.

Small claims Tribunal: It is a smart court that receives proceedings virtually adjudicating cases for small monetary value. Hears 200 cases per year. 90% of cases settle within 4 weeks.

Enforceability of Judgement and The DIFC Courts in Practice

Before choosing an arbitration centre, an investor has to consider:

- What law is applicable and what law will supervise the contract?
- What supervisory Court system supervises the contract?
- Where would they want to arbitrate? Dubai, Singapore, Astana, Shanghai and how are they enforceable to the parties?

✓ *A citizen of the United States doing business in Russia will be unable to utilize the US laws or international arbitration centres like London and Singapore to enforce a contract against a Russian party. However, places like Astana have positioned themselves to be a location to enforce a contract for a fair hearing between both parties.*

1. Enforcement within the DIFC

In the earlier years of the DIFC, Initially, judgments from the DIFC Courts were potentially unenforceable outside of the DIFC complex. Assuming that one party is situated in the DIFC while the other is within Dubai. If the judgement goes for the former, they'd have to seek enforcement from the

local Dubai court. In 2011 protocol of enforcement between the DIFC Courts and the local Dubai courts was agreed upon. The DIFC sends an execution letter to the local courts on the cases it has presided upon to become a final and executory judgement.

2. Enforcement Outside Dubai but Inside the UAE

Where a party sought to enforce a DIFC Court judgement against a defendant who held assets in Abu Dhabi, would the Abu Dhabi local court automatically endorse this judicial order? There were multiple procedures that resulted in a slow execution process and the unwillingness of local courts to pass judgments outside its jurisdiction when enforcement outside Dubai but within the UAE started. Going forward, the passage

of the 2011 Dubai reform statute allowed the local courts within the other Emirates to be obliged to carry out DIFC orders. Moreso, Through the regional inclusivity of the DIFC Courts, DIFC court officials signed a memorandum of understanding with the Emirati courts to solidify its legislation. However, in 2016, the Judicial Tribunal (JT) was tasked with resolving judicial conflicts between DIFC and the emirates.

3. Seeking Enforcement beyond the UAE

The DIFC was a parallel court integrated within the country's judicial system not specifically for a foreign entity within Dubai.

International lawyers, had a persistent question "Would judgments rendered by the DIFC Courts be enforced in other countries, given their global clientele?" Bilateral treaties on judicial enforcement and other regional/international agreements could have paved the way for this but there were constraints on efficiency- the slow execution process and procedures of courts to pass

judgments in a country outside its jurisdiction. The strategic piece of advice is to use international arbitration centres. In addition, the Courts have taken other steps to enhance their power in arbitration matters. First, they have stated that they have the right to interpret contracts that reference local Dubai Courts or onshore Dubai law for arbitration purposes to necessarily include the DIFC Courts and DIFC laws. Second, the DIFC Courts also see themselves as being able to issue an order enforcing interim measures granted by the arbitral tribunal.

THE FINANCIAL CENTRE

IFCs are physical centres where financial services are provided in a conducive environment to facilitate international activities. An ideal finance centre should therefore have common characteristics consisting of a favourable business climate, structured financial market with regulations, quality infrastructure for financial market activities, human capital & ease of relocation and connectivity factors linking financial services with the rest of the world.

Focus, however, on the finance system of an International Finance Centre can be analysed critically through the lens of other finance centres under the following finance-related headings:

- Business Environment
- Financial Markets Regulation and Conformance to international best practices

Dubai International Finance Centre (DIFC)

The Dubai international finance centre was founded in September 2004 and is a financial hub for the Middle East, Africa, and South Asia (MEASA) markets. Its vision is to drive the future of finance and one of its major objectives is to produce tools that reduce the

costs of access to finance and increase its reach in the MEASA regions. It consists of 6 core divisions which are; DIFC Authority, Dubai International Financial Exchange, Dubai Financial Service Authority, DIFC

Judicial Authority, Registrar of Companies and DIFC Investments.

Business environment

The business environment of the finance centre of the DIFC was developed to operate in a dynamic, political and economically stable environment. The centre is strategically located to provide a secure and efficient platform for businesses and financial institutions.

There also exists the presence of banking services, investment banks, and corporate and private banking which facilitates in

raising of funds for companies within the DIFC. Companies operating in the DIFC have the freedom to repatriate capital and profit flows.

A tax-friendly environment prevails in the DIFC where companies have a 40-year guarantee of zero taxes on corporate income and profits. Double taxation avoidance treaties also exist amongst regulators and central banks.

Financial markets regulation and conformance to international best practices

In the DIFC, the body that grants licenses and regulates the activities of all banking and financial institutions is the Dubai Financial Services Authority (DFSA). All entities regulated by the DFSA are mandated to report in accordance with the DIFC Common Reporting Standards (CRS).

The DIFC has a liquid and transparent stock exchange called the Nasdaq Dubai formerly called the Dubai International Finance Exchange (DIFX) that lists regional and international shares in the Middle East. International users have access to investments in the region through primary or dual listings while regional issuers have access to both regional and international investments.

Astana International Finance Centre (AIFC)

The Astana IFC, which was established in December 2015 and officially launched in 2018, is a vital hub for finance in central Asia. One of its major aims is to provide a pivotal role for SMEs by aligning the role of the

finance industry in providing assistance to growing these SMEs. It also aims to attract an attractive environment and develop its securities market thus ensuring integration with international capital markets.

Business environment

The independent regulator of financial services and related activities in the AIFC is the Astana Financial Services Authority (AFSA). A friendly business environment is operated with businesses providing access to investors to source funds, growth, development opportunities and a flexible tax regime. The tax regime within the AIFC is

determined by the tax code. AIFC participants are entitled to tax exemptions on income received from the provision of financial services. They also benefit from tax exemption of capital gains, dividends and interest received by individuals and entities on shares or securities of participants listed on AIX.

Financial markets regulation and conformance to international best practices

The stock exchange present in the AIFC is the Astana International Exchange (AIX) whose aim is to develop a liquid and trusted capital market in central Asia and beyond by providing innovative products and services for businesses to raise capital and for investors. A secure and reliable financial

trading platform is provided by the AIX ensuring access to capital and investment opportunities for international members. The AIX also conforms to a regulatory environment that international investors are familiar with.

Shanghai International Financial Centre

Shanghai is currently the dominant commercial and financial centre of China and developing it into an international finance centre is an essential part of China's

economic agenda. It boasts of architectural sophistication and it aims to be the ultimate home to global finance and multinational corporations.

Business environment

The Shanghai IFC encourages businesses by supporting foreign-funded financial institutions to expand their business scope and conduct business operations. It also permits foreign institutional investors to create pension management companies and wholly foreign-owned life insurers. Shanghai

in the year 2021 released a 14th five-year plan from period 2021-2025 which contains strategies and visions for further development of the finance centre. This shows that growth and development are still ongoing making the shanghai IFC attractive to investors.

Financial markets regulation and conformance to international best practices

The Shanghai stock exchange was established to stimulate the growth of China's financial markets. Its objective is to encourage the participation of foreign investors. The Shanghai IFC also aims at expanding its derivatives market to meet higher risk management demands.

Qualified non-financial groups are now allowed to set up financial holding companies in Shanghai and participate in the interbank foreign exchange market. Qualified foreign investors are also encouraged to participate in the Chinese bond market through the acceleration of the opening of China's bond market.

Elements of a Financial Centre in an IFC

Competent Personnel: The success of the International Financial Centre hinges on having competent individuals handling every aspect of the centre especially the finance and regulatory aspect. Although this is a no-brainer, it doesn't hurt to point things out. Dubai International Financial Centre has *Yazan Al Nasser*, who has over 30 years of experience in the finance and audit space before joining Dubai International Financial Centre.

Tax efficiencies: Tax is a huge contributor to the growth of any economy. More than being an instrument of growth and financial buoyance in an economy, it could also be used to attract businesses, companies, and other interested parties. Established International Financial Centres also use tax as an avid instrument of attraction for many companies. They either provide a tax haven for the participants, a tax relief for a specified number of years, or a tax cut different from what you would find in the business environment outside of an IFC. Specifically, for Nigeria, the latter ideas are more suitable, that is, the tax cut or the tax relief.

Banking, Insurance & Investing Services: Banking and investing services are essential to the survival of any International Financial Centre. Companies registered in an IFC should be able to reach out to investment banks, and commercial banks within the IFC that can help raise funds or more importantly, facilitate the raising of funds. These companies will need commercial, private, and investment banking services. The IFC should be able to provide that. Such an IFC should also establish a relationship with venture capitalists, angel investors, wealth managers, insurance brokers, investment bankers and so forth.

Reporting standard: Every company which is a part of an International Financial Centre is required to give accounts of their activities every year. They are required to publish to the public an account of incoming and outgoing finances. A decision on whether to adopt the existing reporting framework provided by IASB (International Accounting Standards Board), the International Financial Reporting Standards (IFRS) or to make new ones needs to be made. Our professional recommendation is to adopt the existing

framework because they have been tailored to work for our reporting requirements in Nigeria, most importantly, it provides comparability across countries which is a feature that helps provide support for most international companies.

Exchange: If the international financial centre in Nigeria is going to work effectively and efficiently, the decision on whether to adopt the already existing exchange or to branch out to be tailored to a more specific sector needs to be made. An exchange is important for two reasons. The first is access to funds from the public for already registered and existing companies and the second is access to funds for companies who are just listing, new, and existing. DIFC has Dubai International Financial Exchange (DIFX) which later rebranded itself into NASDAQ Dubai and Astana International Financial Centre has the Astana International Exchange (AIX)

Regulatory Body: As emphasized, finance is important in the success of an IFC. What is even more crucial is the existence of a regulatory body that will manage the finance of the centre, and coordinate the affairs of all in its purview. This body will be an

independent regulator of the financial activities of the centre. The regulatory body like the Dubai Financial Service Authority (DFSA) for DIFC, or the Astana Financial Services Authority (AFSA) for AIFC, must consist of seasoned professionals in finance, business dynamics, and economics to say the least. Their responsibility will be to:

- Foster and maintain fairness, transparency, and efficiency in the financial services industry
- Maintain confidence in the financial services industry.
- Ensure the financial stability of the financial services industry including the reduction of systemic risk.
- To prevent, detect and restrain conduct that causes or may cause damage to the reputation of the IFC or the financial services industry in the IFC, through appropriate means, including the imposition of sanctions.
- To protect direct and indirect users and prospective users of the financial services industry.
- To promote public understanding of the regulation of the financial services industry.

Steps to Building a Finance Centre within an IFC

Designing a regulatory system for the financial centre: A major step in building a finance centre is to set up an internally organized system that would ensure that the elements of the finance centre operate in connection with each other. Each element should be adequately equipped to function with its regulations but should also work as a whole so as not to perform in contradiction with each other. In setting up this regulatory system, it is crucial that it is set in accordance

with the Nigeria Export Processing Zones Authority (NEPZA) regulations and the CBN act.

Establishing and staffing the regulatory body of the financial system: As already seen above, one of the important elements in a finance centre is to set up a regulatory body which will ensure that activities are carried

out efficiently. This body once created should be adequately staffed with individuals of high capabilities, experience and skills who are experts in their fields and would see to the effective and efficient running of the finance centre. The laws within the regulatory system will comprise of guiding principles towards effective public private partnerships, clean investment, repatriation of investment and compliance to international treaties like criminal law and anti-money laundering law.

Setting an overarching structure: Every system needs a built-in structure that it can rely upon. It is therefore imperative that in setting up a finance centre, a well-defined

and workable structure is built that can control the activities of the finance centre. This structure will give the guiding principles and serve as a base upon which the elements of the finance centre can rely for proper operations.

Leveraging technology where possible to save costs and speed up financial services: The vital role technology plays in finance should not be overlooked but be leveraged in the finance centre. The use of technology would help in driving efficiency, speeding up the time required for financial transactions and saving costs.

ATTRACTING GOVERNMENT AND BUSINESSES

Dubai International Financial Centre Courts

Customization: Expansion of the rule of law and legal actors in a globalizing world. They went out of their way "sharia law" to adopt Western common law and Western legal principles, and make it accessible to global professionals. The DIFC was built to allow the local court Legal practitioners to be systemized in its courts and demean the fear of threats within the existing system. The DIFC promoted IFC's relevance to the economy

Dubai Legal Affairs Department (LAD): DIFC built partnerships with Dubai Legal Affairs Department (LAD) in 2008. LAD is building global best practices in the legal and regulatory regime in UAE through the DIFC;

- LAD supervises/represents all legal matters for the government
- LAD hosts training programs for legal professionals
- LAD License domestic and foreign legal practitioners

Academy of Law (AOL): The Academy of Law was formerly known as the Dispute Resolution Authority Academy. The central theme of The Academy of Law is; *Learning and Development (L&D)*, *Corporate Social Responsibility (CSR)*, and *Legal System Development (LSD)*.

Learning and Development: focus on two essential services. An emphasis on the publication of practice-oriented literature and

the teaching of lawyers on how to enhance cross-jurisdictional legal knowledge. For the

Corporate Social Responsibility and Legal Systems Development: Three objectives are priorities. Registering and regulating DIFC Courts' practitioners; providing pro bono legal services, and fostering networking opportunities that allow for the sharing of professional knowledge among participating stakeholders.

Other Ancillary Arm

Small claims Tribunal: It is a smart court that receives proceedings virtually adjudicating cases for small monetary value. It hears over 200 cases per year and 90 per cent of cases settle within 4 weeks.

Pro Bono Service: Staff and external volunteer lawyers counsel financially needy clients on issues related to the DIFC.

Astana International Financial Centre (AIFC), Kazakhstan Features within its Region

Customization: One of the standouts of the AIFC is that it has become a financial centre of choice in central Asia as a result of its adaptable laws in the region and its leverage on the global political economy. AIFC created something familiar to their region, one is Islamic finance.

Enforceability: A citizen of the United States doing business in Russia will be unable to utilize the US laws or international arbitration centres like London and Singapore. However, places like Astana will be a location to enforce a contract for a fair hearing.

- ✓ *Kazakhstan is the FDI leader in central Asia*
- ✓ *The top five foreign jurisdictions whose companies have the most presence in Astana International Finance Centre is China (9.9%), Russia (5.5%), the UK (2.9%), the USA (2.4%), and Singapore (1.7%)*
- ✓ *AIFC is creating an ecosystem of finance and Fintech services*
- ✓ *AIFC has a bias concentration in green technology*
- ✓ *Legal tech innovation is superfluous in the AIFC*

ADAPTABILITY TO LOCAL BUSINESSES IN NIGERIA

Establishing an International financial centre is a national agenda that should be driven by public and private actors through a special economic zone route. This will help Nigeria to realise its potential in international financial services.

According to (Z/Yen & Gresham Professor of Commerce, 2009), there are five key areas of financial centre competitiveness:

Business Environment: Regulation, tax rates, levels of corruption and ease of doing business.

Infrastructure: The cost and availability of quality infrastructure, property and transport links.

Market Access: Levels of trading, as well as clustering effects from having many financial services firms together in one centre.

People: The availability of good personnel and the flexibility of the labour markets;

General Competitiveness: The concept that the whole is 'greater than the sum of the Part.

Creating a Financial Centre in Nigeria's Business Environment

When creating a finance centre, we need to consider what counts as low-hanging fruit in terms of financial innovation that will allow the financial centre to be far more entrepreneur-friendly. On the one hand, while also not stimulating the special interests in the host nation's business environment to prevent it from happening. Identifying these obstacles will give answers to the problems that can be solved quickly and efficiently by the financial centre as well as the best revenue models for the centre based on the situation of the host nation.

1. What are the biggest obstacles entrepreneurs face in obtaining funding?
2. What are the greatest obstacles facing consumers from obtaining loans and credit?
3. What obstacles exist in business registration, property rights and the court system?
4. What are the legal and regulatory gaps in the existing system that would serve as an obstacle to a streamlined service offered by the financial centre?

✓ *An inherent problem for business registration in Nigeria would be the alteration or manipulation of the registration details of a business resulting from the attacks of*

special interests. This is a major turn-off by business owners and investors especially. Business registration within an IFC can be devolved to the governance of the financial centre in order to ensure data protection and systems trust while there must be cooperation with key agencies to sustain trust.

Provision in the Nigeria Export Processing Zone Authority Act

Financial centre

Enacted in 2004, the Nigeria Export Processing Zone Authority (NEPZA) act is the governing act for establishing special economic zones in Nigeria. The act provides guidelines and regulations that serve as a checkmate for SEZs in the country. Because International financial centres are a class of

SEZ, establishing an International Financial Centre would bring it under the auspices of the NEPZA act. The NEPZA Act allows for the operation of financial services however, there is no specific provision for the operation of an International Financial Centre in the NEPZA act.

Dispute resolution (court)

Dispute resolution is a core aspect of building an International Financial Centre. Businesses want to situate where there is a greater level of familiarity, trust, and

enforceability in their court system. The NEPZA ACT permits the operation of an International Commercial Arbitration in its zone.

Way forward

- ✓ *The “special economic zone route” through the Nigeria Export Processing Zone Authority (NEPZA) act bears good tidings for the establishment of an IFC in the country. Section 3 (a) and 8 of the acts are pivotal sections of the act that cushions the establishment of businesses within an SEZ. Section 3 (a) of the act borders on*

incentives and concessions made available to special economic zones while section 8 of the act approved enterprises operating within free zones to be exempted from all federal, state and local government taxes, levies and rates. Section 18(1) further provides that all legislative provisions pertaining to taxes shall not apply within the free zones.

- ✓ *Council members can advocate for the operation of IFCs as a business area in the NEPZA Act. There must be an acceptance from the Nigerian government and necessary arrangements with the government institutions like the Federal Ministry of Finance, the Central Bank of Nigeria, and the judiciary arm of government.*
- ✓ *The centre must hire competent personnel and labour laws should be devolved to the financial centres' administrative body. They should ensure international best practices in the implementation of effective models of labour administration and enforcement. This will help to cater for the welfare of workers.*
- ✓ *Business registration should be devolved to the financial centres' governance to ensure the establishment of systems trust and investors' confidence.*
- ✓ *The writing of the legal codes of the International Financial Centre must be executed by experts in local and international sphere to ensure clarity, familiarity, and enforceability of the new system.*

The Nigeria International Finance Centre Opportunity

Nigeria has an unusual opportunity in producing financial services, on a global scale, for the following reasons:

- Tech, entertainment, legal and financial services skills are what the Nigerian workforce is good at and actively in demand.
- The Talent city financial centre can get off the ground by opportunities in the financial system with efficient and credible venture capital and private equity investment, wealth and asset management firms, insurance companies, and an equity market.
- There is no established international financial centre in West Africa. Nigeria can position itself as the most competitive and most effective arbitration centre in West Africa and Sub-Saharan Africa
- Investment and capital are coming into Nigeria. Lagos is Africa's start-up capital.
- Nigeria has an advantage with its demographic as well as geographic coverage through its diaspora to utilize the centre in its plans.
- Nigeria's NEPZA has one of the most dynamic and forward-thinking zone operations in West Africa and Africa

Sectoral Customization

SMEs

AIFC: Kazakhstan's vision through the AIFC is to diversify from an energy-intensive economy to other sectors to promote economic growth by focusing on SMEs and prioritizing women since it is an untapped contributor to economic growth. SME development will go through a lot of digitization from various. Different organizations are popping up to include SMEs in their digitization of credit facilities, paying salaries and wages, accounting entry, and tax payments. Kazakhstan is also setting up labs in the tech industry focused on women through active participation from the private, public and multi-lateral sectors. Partners such as VISA have been involved, as it is a global strategy to simplify digital payments for both consumers and SMEs. The EBRD also has a unit that focuses on

DIFC: The DIFC is structured to provide start-ups and SMEs with a well-organized business environment and friendly

regulations. Its innovative accelerator programs and funding for growth stage start-ups make the finance centre attractive for SMEs to operate in.

NIFC: In Nigeria, SMEs contribute 48% of national GDP and account for 96% of businesses and 84% of employment According to the PWC SME survey. The Nigerian international finance centre should therefore focus on the following factors in considering Small and Medium Enterprises (SMEs)

- Create a vision for SME inclusion.
- Create technological innovations which would aid the operations of SMEs
- Involve various players with key priority areas in the facilitation of SME growth.
- Create awareness of new innovations in the industry.

FINTECH

AIFC: In light of the global boom in the development of digital technologies—primarily financial ones, innovative technologies have become one of the priority areas for activities of the AIFC Authority. The AIFC, therefore, developed a Tech Hub whose aim is to bring together key participants in the financial technology ecosystem, international partners, experts, start-ups and technology projects to

stimulate the development of financial technology.

DIFC: The DIFC's central vision is to drive the future of finance. It has therefore developed and presently houses one of the most comprehensive FinTech environments in the region. The DIFC has a FinTech accelerator termed the FinTech Hive developed to bring cutting-edge financial

services technology to the MEASA markets alongside providing a platform to bring financial and technology firms together. This FinTech accelerator connects the DIFC's community of over 200 firms with start-up FinTech firms from all over the world, granting them access to their products. The DIFC also launched a 100 million USD fund to establish, grow and upscale start-up and growth stage FinTech firms looking to access the MEASA markets.

NIFC: For the FinTech in the Nigerian International Finance Centre to operate effectively, there is a need to set up a suitable structure for FinTech firms to thrive. Funds should also be raised towards helping start-up FinTech firms with the required funds to grow. An awareness of the advantages of a FinTech hub should be created so as to make the hub attractive to FinTech firms all over the world and encourage international participation.

FOREIGN EXCHANGE

Since the international finance centre is specially customized to attract foreign and international firms, the foreign exchange policies adopted should be such that are adaptable to these firms.

AIFC: The AIFC released its rules on currency regulation and provision of information on currency transactions in the AIFC in November 2021 to be adopted in December 2021. According to the rules, AIFC participants are regarded as residents. Transactions between AIFC participants are carried out in national or foreign currency in accordance with requirements set out in the rules. The same applies to transactions between AIFC participants and residents who are not AIFC participants. A purchase or sale of foreign currency in the AIFC can be carried out only through AIFC banks. This regulation provides a framework upon which foreign exchange transactions are carried out and ensures clarity for all participants involved.

DIFC: DIFC-based companies face no restrictions or constraints on capital or profit flows, and there are no currency exchange controls in this US dollar-denominated jurisdiction.

NIFC: When developing a suitable and efficient foreign exchange system, adequate rules and regulations which will guide the workings of currency transactions should be made. These regulations and the knowledge of their existence should hence be made available to all participants so as to ensure that there is a general awareness of these rules. There should also be a limit to restrictions set on foreign currency transactions so as to attract investors and international participants to the Nigerian IFC. Transactions within the NIFC should be carried out with a generally acceptable denomination which would make transactions easier and faster.

CONCLUSION

In this paper, we clearly explained International financial centres, their components and their adaptability to local businesses in Nigeria using specific case studies from other IFCs. This work is ideal to give a perspective on thoughts to consider. We believe the public and private sectors will be able to answer some pivotal questions and familiarise themselves with the framework before venturing into the establishment of an IFC.

If Nigeria is looking for a way to build trust, certainty and familiarity in its legal and financial system, creating an international financial centre is an economic tool that can help to achieve it. An IFC will create business-friendly regulations, competitive tax regimes, alternative dispute resolution mechanisms, ease of doing business, quality

infrastructure, and skilled manpower with spill over effects. All of these impacts will gradually build strong institutions that will result in the development of economic outcomes with spill over effects beyond the centre.

In addition, this project is a national agenda that will involve various stakeholders to identify the low-hanging fruits, problems that can easily be solved and the best revenue model of the financial centre. However, if the initiative attacks too many special interests up front, then it will never get off the ground.

At Abelar, our goal is to continue to provide further assistance that is customized towards the creation of a successful International Financial Centre in Nigeria.

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Note on the component of a financial system within an IFC: This is a refined copy of the responsibilities of the DFSA in DIFC. This is not to encourage plagiarism, instead, it is to provide context as to what the financial regulatory body of an IFC does.

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