

Compliance Sit Down Series | Jan Bladen of the ADGM and DFSA

Alan Hynes – 28/05/2015



Morgan McKinley is delighted to welcome Mr. Jan Bladen as our special guest for this month's Compliance Sit-Down Series.

JAN BLADEN, the former Program Lead and Executive Advisor to the Board at Abu Dhabi Global Market (ADGM) and founding Chief Operating Officer of the Dubai Financial Services Authority (DFSA), carries a wealth of experience in corporate governance, strategy and leadership to name but a few. Raised in the Far East, Middle East, Europe and Africa and considered by many a global citizen, Bladen was previously with PricewaterhouseCoopers in both Switzerland and Dubai.

Q. Thanks for joining us Jan. You were born in Holland, you hold dual British and Swiss citizenship, speak fluent English, French and Spanish, and have lived in 11 countries. Where does Jan Bladen call home?

“home” isn't a place, it's the people in it

Over the years my dog-eared passports look like they've been through hell and back and I have spent an absurd and probably unhealthy amount of time on airplanes. But travel sometimes gives you time to think, and after all the years I sense that “home” isn't a place, it's the people in it. My heart belongs to the UAE which has become my adoptive home over the last 15 years. My Spouse is an Arab and my children speak Arabic at home.

Q. But when it comes to Polo Jan, you're nailing your colours to the mast by having played for Team Great Britain right?

Polo for me is a passion rather than a patriotic sport. It's about a healthy lifestyle for the entire family around horses and the outdoors and it's about strong long lasting friendships built up over the years. As a young officer in the British cavalry in the late 1890s, Sir Winston Churchill was an avid polo player and openly stated that "A polo handicap is your passport to the world".

I'll be playing in a team entered into the Dubai Beach Polo 2015 tournament this weekend (April 10 – 11), held under the patronage of Sheikh Hamdan bin Mohammed, Crown Prince of Dubai. With some luck, lots of teamwork and hopefully a bit of skill, we may reach the finals.

Q. How has your diverse upbringing and international experiences helped you in your professional life?

Third culture kid (TCKs) is a term used to refer to children who have been raised in a culture, outside of their own, for a significant part of their younger years. I definitely sense that an internationally mobile childhood widens your views and greatly expands your cultural awareness, religious respect and tolerance.

It provides a clear international slant, encourages the development of foreign languages and therefore assists international relations. Extensive research also indicates that TCKs emerge as adults who are adept at solving problems, mediating conflicts and are flexible in ambiguous situations.

My kids were born in the UAE, to a Lebanese Mother, speak fluent French, Arabic and English, and hold British and Swiss Passports. I believe that the population of third culture kids is increasing with globalisation and that they are the prototype citizens of the future.

"I predict that Dubai will become, if it is not already, the global capital for Third Culture Kids"



Q. We will come to ADGM a little later but first perhaps you can describe how your move to the UAE came about and your role in the creation of the DFSA?

I originally lived in the UAE with my parents in the late 70s and returned some 15 years ago when I was asked to move from PricewaterhouseCoopers in Switzerland to their offices in Dubai. The move was driven by the simple fact that more and more of my clients were either Middle Eastern firms, state owned enterprises or regional family businesses.

“we built a world leading regulator from scratch”

My role as Chief Operating Officer at the DFSA was an exciting and challenging one. In the space of 10 years, we built a world leading regulator from scratch and an internationally respected world class financial centre, the DIFC. A clear example of outstanding teamwork.

Q. When you first joined the senior executive team at the DFSA in 2005, what regulatory strategy did you put in place to achieve the success it has had? It is now ranked in the top 20 Global Financial Centres worldwide and home to 22 of the top 30 banks.

“financial firms need to take calculated risks”

Balancing a Regulator’s Risk Appetite takes experience and a Financial Services Regulator needs to recognise that financial firms need to take calculated risks so as to generate a return for shareholders. Stifling risk entirely so as to ensure zero failures amongst supervised firms will also stifle the ability to generate a return on investment for shareholders. As a consequence, some firms will fail and a balance needs to be achieved. You can think of regulation as a large swinging pendulum, rocking back and forth between under regulation and over regulation as it tries to find the right balance.

While I have never been, and never will be, a Regulator, I have developed a sincere respect for the challenging role a financial services regulator plays in stimulating, growing, strengthening and finally protecting a country’s economy.

Q. Corporate Governance we know is something you are very passionate about and in 2011 you are quoted as saying there would be a, ‘revolution,’ in the Middle East in this particular area. What are the major changes/advancements you have noticed in the last few years?

It’s a fact that the acceptance and implementation of corporate governance in the Middle East has not received strong support from global institutional investors and international private shareholders. Now while there may be a variety of reasons for this, I believe some of the principle root causes are; (a) the fact the majority of larger organisations are either family or state owned, (b) capital markets remain relatively underdeveloped, (c) liquidity and financing requirements were easily available from banks and (d) a disclosure adverse culture where shareholders have been reluctant to publicise operational and financial aspects of their enterprises, which has contributed to

a general acceptance of the lack of transparency.

“good governance will drive the need to attract foreign direct investment”

The arrival of international competition with capital and operational efficiencies due to good governance will drive the need to attract foreign direct investment, lower the cost of capital, strengthen operational performance and improve access to good corporate governance as a defensive and competitive tool.

Q. Are we seeing enough transparency at top level senior management in the GCC that gives international investors the confidence to do business here? Particularly when one considers the family owned structure of business in the GCC and government owned entities.

It's starting and we can look to the outstanding example of Majid Al Futtaim. The MAF Group started in 1992 and is one of the largest developers and operators of shopping malls and hypermarkets in the MENA region. It's a credit to the strength of its business model and good governance that the Group maintained a robust financial profile, good credit ratings and delivered steady growth amidst the recent financial crisis. The Group has been extremely transparent and had continued to implement a best-in-class corporate governance structure that has enabled its growth.



Q. At the recent Thompson Reuters GCC Regulators Summit in Abu Dhabi, we heard various guest speakers share their own views on Corporate Governance. Shahzad Khan, Group Head of Governance and Compliance for government-owned Mubadala, said that good corporate governance should take a, “principal based approach that is driven from the top and clearly rated on a transparency index.” Do you share this approach?

Mubadala, as an investment vehicle, has long since realised that good corporate governance produces better companies and generates increased long term sustainable return for both stakeholders and shareholders. That said, one size does not fit all in the world of Governance. The way Governance is leveraged in a State Owned Enterprise with a large portfolio of national and international investment is different to the way one would start to implement corporate governance in a 2nd to 3rd generation Family Business within the UAE.

Q. A recent survey by the GCC Board Directors Institute (BDI) yielded some interesting results from participating directors. The report highlights challenges that boards in the GCC still face, notably in the lack of a formal board evaluation, ineffective board dynamics and board composition and diversity: Women still only account for only 1% of board seats. What do you see as the best solution to tackle this issue?

Women on boards in the Middle East is interesting and I believe the challenge will more than resolve itself with time:

1. Nearly 50 % of all UAE Nationals employed in the workforce are female.
2. The number of UAE national Women enrolled in higher education is 24 % more than the number of UAE national Men enrolled in higher education.
3. 77 % of all UAE females continue on to higher education from high school
4. UAE Women currently make up 75 per cent of the student body at the national university in Al-Ain

Women graduates in the UAE can be found working in government, engineering, science, health care, media, computer technology, law, commerce, and the oil industry. Four UAE cabinet ministers are women and women form two-thirds of government sector workers. In October 2008, the first female judge was sworn in. In 2006, nine women took up seats within the Federal National Council, accounting for 22.5 per cent of the Council's membership.

So let me make an obvious prediction if this trend continues:

“The UAE will become an “Amazon State” within the next twenty years”

The UAE will become an “Amazon State” within the next twenty years, with a large proportion of political and business leadership positions being held by highly qualified and educated Emirati women.

Q. Should training for new board members be mandatory?

Let me ask you a question that Dr. Nasser Saidi, the former Chief Economist at the Dubai International Financial Centre (DIFC) and former Executive Director of the Hawkamah-Institute for Corporate Governance, asked me some years ago: “Would you go to a doctor, lawyer or dentist who did not

have the relevant qualifications and appropriate experience?" The answer is obvious.

So then why should Board Members be treated any differently? And I would go one step further; all things being equal, why would a shareholder want to invest in an organisation that did not have professionally trained and industry experienced board members?

“There is a direct correlation between good governance and shareholder value”

There is a direct correlation between good governance and shareholder value which has been proved many times, via numerous studies and reports, over the last few years. Ensuring a professional Board with relevant experience is simply part of good governance, and generating better Shareholder value.

Q. Congratulations again on the success of your recent mandate at Abu Dhabi Global Market. Al Maryah Island looks great and it's a fantastic setting. Is ADGM going to rival or compliment the DIFC?

“Abu Dhabi Global Market (ADGM) and the DIFC will not compete”

Abu Dhabi Global Market (ADGM) and the DIFC will not compete. Rather, and in time, the two centres will complement each other, making the UAE the financial capital for the region. The UAE's stability is foremost in the MENA region and that stability will naturally attract a market for wealth management and asset management. The formation of a second international financial centre within the United Arab Emirates is simply a reflection of ambitious plans for further economic growth.

Q. What activities are we likely to see will take place in the free zone in the financial services sector?

“Abu Dhabi's natural strengths of private banking, wealth management and asset management”

Located on Al Maryah Island, ADGM is a broad-based financial services centre that will, for the first phase of its development, centre its activities on what are viewed as Abu Dhabi's natural strengths of private banking, wealth management and asset management. Institutions will operate within a recognised and understood world-class regulatory framework and the Board also took the innovative step of making English common law applicable within the jurisdiction. A similar approach was taken with great success by both Hong Kong and Singapore.

Q. How will ADGM contribute to Emiritization and the employment of UAE Nationals

“CEOs must recognise Emiratisation as an opportunity”

In 2006, in my position as Founding Chief Operating Officer of the Dubai Financial Services Authority, the DFSA launched its Tomorrow’s Regulatory Leaders (TRL) Programme. We had recognised the opportunity to make a contribution towards the UAE’s Emiratisation initiative while, more importantly, investing in developing our own pool of young Emiratis to become leaders in the financial and regulatory sector. That programme is now recognised as an outstanding achievement and a leading example of successful Emiratisation. On my departure from the DFSA, 30 per cent of the regulatory staff was highly skilled and performing Emiratis, CEOs must recognise Emiratisation as an opportunity and a positive solution by creating your own development programs to produce your own pool of future expertise and talent. I would not be surprised if ADGM considers such a Programme in a couple of years.

Q. Will ADGM have an independent regulator like in the DIFC or will it have more than one regulator? Will it be an integrated regulator?

ADGM has achieved significant progress over the past 12 months with the development of the three main pillars of Abu Dhabi’s new financial center: Notably the Registrar, the Financial Services Regulator and the Courts.

Q. What’s your compliance motto?

I’m not sure that I have one. Ensuring that compliance does not stifle the ability to do business is critical and reaching an equilibrium so as to protect and generate long term shareholder value is core. It about balance.

Q. Sum up compliance in three words?

Hire good people.

Q. And finally Jan, as we ask all our guests on the Sit Down Series, if you weren’t doing compliance and regulation, what would you be going?

I’ve done “the regulation bit” by helping build a world class regulator within the DIFC and then assisting the UAE in founding its second financial centre. The role of the Chief Executive and Business Leader in the Middle East is now becoming more complicated and challenging as unlocking growth and shareholder value becomes one of the key roles of CEOs over the next ten years. That will be where I may best support SOEs and Family Businesses, in a venture to unlock shareholder value in the Middle East.

Thanks again for joining us Jan.