

DECISION NO (3\R) OF 2001 CONCERNING THE REGULATIONS AS TO THE FUNCTIONING OF THE MARKET

The Chairman of the Board of Directors of the Securities & Commodities Authority,
Having considered the provisions of Federal Law No. 4 of 2000 concerning the Emirates Securities & Commodities Authority and Market,
Pursuant to Council of Ministers Resolution No 193/18 of 2000 concerning the constituting of the Board of Directors of the Authority,
After consultation and coordination with the bodies concerned in the establishment of markets in the State, and
Pursuant to the approval of the Board of Directors of the Authority at its meeting held on 22/4/2001,
Has resolved to approve the following Regulations as to the Functioning of the Market.

Part One **Definitions** **Article (1)**

The following words and expressions shall have the meanings set forth opposite each of them, unless the context of the provision otherwise requires:

The Law: Federal Law No. 4 of 2000 concerning the Emirates Securities & Commodities Authority and Market.

The State: The State of the United Arab Emirates.

The Authority: The Securities & Commodities Authority.

Securities: Shares, bonds and notes issued by joint stock companies, bonds and notes issued by the Federal Government or Local Governments, public authorities and public institutions in the State, and any other domestic or non-domestic financial instruments accepted by the Authority.

The Board: The board of directors of the Authority.

Market: A securities and commodities market licensed in the State by the Authority.

The Clearing: The entity that conducts the operations of settlement and issues orders for payment of funds to the beneficiaries.

Brokerage: The act of executing sale or purchase orders received by brokers

from clients.

Broker: A juristic person authorized under the provisions of the Law to undertake Brokerage business in the Market.

Broker's Representative: A natural person appointed by a Broker to conduct on its behalf Brokerage business in transactions related to Securities and commodities.

The Profession: The Brokerage profession.

The Floor: The trading floor in the Market.

Trading: Sale and purchase transactions in Securities and commodities.

General Assembly: The general assembly of the Market.

General Provisions

Article (2)

No Market shall be permitted to conduct the activity of Trading in the State unless licensed by the Authority.

Article (3)

A Market shall be established pursuant to a resolution by the competent local authority, and it shall be managed by a board of directors constituted by resolution of such authority, provided that none of its members is a member of the board of directors of a public joint stock company or of a broker.

The Market shall have a director general and a deputy to the director general.

They shall be assisted by a sufficient number of officers and administrative staff.

Article (4)

The granting of a license to any Market shall require the following conditions to be satisfied:

1. It is in the form of a local public establishment.
2. It occupies an appropriate building equipped with the technology necessary for its activity to be conducted electronically.
3. The Market applying for the license has its system linked electronically with the other markets in the State so that there is set in place a common trading system amongst the Markets.

Article (5)

The Market shall make the arrangements necessary to secure the proper performance of the electronic data processing system and the system for recovery of the data saved in it in case of the failure thereof.

Article (6)

The Market shall operate under the supervision and control of the Authority. The Authority may, in coordination with the Markets in cases requiring the same, conduct inspection and investigations necessary to ascertain the application of the Law and the regulations issued in implementation thereof, provided that the scope of any investigation is specified and the person to conduct it on its behalf is designated.

Article (7)

The Market shall enter in its records all transactions effected in the Securities listed therein. Any transaction in Securities listed in the Market shall be null and void unless entered in accordance with the provisions of the Law and the regulations and resolutions issued in implementation thereof.

Article (8)

Unless the contrary is proved, entries registered in the Market's records, whether entered manually or electronically, and any documents issued by the Market, shall be deemed legal evidence of the Trading in and ownership of the Securities therein appearing as of the date of such records or documents.

Article (9) [1]

Arbitration regulations issued by the Authority are to be used in all disputes that arise from the trading of securities pending the agreement of relevant parties.

Part Two

The Establishment and Management of the Market

Article (10)

The members of the Market's board of directors, its director general and his deputy shall be subject to the constraints and conditions stated in the provisions of the Law and the regulations issued in implementation thereof.

The Market's internal regulations shall specify the procedure for calling its board of directors to meet, the place of the meeting, the quorum for the validity thereof, the passing of resolutions and the remuneration of the members.

Article (11)

The Market's board of directors shall have competence to deal with the Market's affairs and to take, within the limits of general policy, the steps necessary to achieve the objects for which it has been established. In particular it shall have competence to:

1. Appoint the Market's director general and his deputy, and to determine their powers.
2. Establish the Market's organizational structure and the annexes thereto, the internal regulations and all administrative rules and instructions.
3. Draw up the necessary proposals in relation to the amending of the regulations issued pursuant to the provisions of the Law, and to present them to the Authority.
4. Monitor trading transactions in Securities and commodities so as to ensure justice as between transacting parties.
5. Present reports and data to the Authority and to issue the press releases necessary to secure transparency and disclosure.
6. Approve the annual balance sheet of the Market's income and expenditure.
7. Levy penalties on Brokers pursuant to the provisions of the Law, and to recommend to the Authority the removal of them from the register of licensed Brokers.
8. Consult with the Authority in respect of the fees charged in implementation of the provisions of the Law and the regulations issued pursuant thereto.
9. Handle applications for the entering of Brokers and the listing of Securities in the Market.
10. Any other matters such as to ensure the proper and regular working of the Market.

The Market's board of directors may delegate certain of its powers to the Market's director general or his deputy.

Article (12)

To achieve the objects of the Market, the board of directors may exercise the following powers:

a - To establish specialist technical organs for the Market to perform its tasks, including:

- An organ for Trading, Clearing and settlement.
- An organ for the monitoring of prices.
- An organ for monitoring and investigation.
- An organ for research and studies.
- Financial and administrative organs.

b - To work to develop, train and render qualified the necessary cadres in accordance with the most modern technical and administrative methods.

c - To form permanent or interim specialist committees.

Part Three

Membership of the Market

Article (13)

Membership of the Market shall be obligatory for the following entities:

1. Brokers licensed to practice the Brokerage Profession pursuant to the provisions of the Law.
2. Joint stock companies whose Securities are listed in the Market.
3. Any other entity whose Securities are listed in the Market.

Article (14)

1 - Each Market shall prepare a membership register in which members shall be entered following the issue of the Authority's approval. The Authority shall be notified thereof within one week from entering.

2 - Members of the Market shall be subject to the instructions of the Market, the provisions of the Law and the regulations issued in implementation thereof.

Chapter One

The General Assembly of the Market

Article (15)

Members of the Market who have paid the registration and renewal fees shall constitute its General Assembly. Each member shall have one vote in the meetings of this assembly. Its meetings shall be attended by a representative of the Authority as observer.

Article (16)

The General Assembly shall be competent to monitor general conditions in the Market, and to suggest ways to bring about enhanced efficiency therein or eliminate impediments to its working.

It shall submit its views on these matters to the Authority through the Market's board of directors.

Article (17)

The Market's board of directors shall, in coordination with the Authority, lay down the rules and procedures as to how notice is given of meetings of the General Assembly and resolutions are passed thereat, as to the powers given to it and the duties placed upon it, and as to all administrative and financial matters relating thereto.

Article (18)

The Market's board of directors shall, with the approval of the Authority, lay down a code of professional conduct which shall be applied to Brokers, and provisions

for monitoring them. They shall be subject to a regime of inspection on a periodical basis or upon request by a concerned party. The inspection shall be conducted in coordination with the management of the Market in cases where that is requisite.

Chapter Two

Brokers in the Market

Article (19)

No broker may practice the Brokerage Profession unless he has been issued with a license to do so by Authority. Any party entered upon the register with the Authority may submit an application to any Market for a license for it to practice the Profession. The Market shall have discretion to approve or reject the application.

Article (20)

The Market shall determine the conditions required to be satisfied for the registration of Brokers and their Representatives, provided that such conditions are not less than what is required by the Law and the regulations issued in implementation thereof. The Market shall also prescribe the model format for applications for the registration of Brokers and shall specify the procedures for the submission thereof, the Market being bound not to consider any application before ascertaining that the applicant has obtained a license from the Authority.

Article (21)

The Market shall maintain a register for the registration of Brokers operating therein and shall furnish the Authority with their names and with all amendments made to the particulars relating to them as soon as the same are made.

Article (22)

Subject to the provisions of the Law and the regulations issued in implementation thereof, the Market shall lay down the rules relating to the approval of Brokers' Representatives, and the schemes for rendering them technically qualified and successful in the examination to be set by the Market and approved by the Authority.

Article (23)

The director general of the Market may refer a Broker to a disciplinary committee formed for this purpose by the Board in the following cases:

1. If it breaches the provisions of the Law and the regulations, resolutions and instructions issued in implementation thereof.
2. If it fails to settle its dealings with the Clearing or with clients.

3. If it submits forged or false documents, information or reports.
4. If it acts in a manner intended, directly or indirectly, to mislead transacting parties generally as to trading in the Market.

Article (24)

a - Subject to the provisions of the Law and the regulations issued in implementation thereof, the Market's board of directors may levy the following penalties on a Broker:

1. A warning.
2. A monetary fine not exceeding one hundred thousand (100000) Dirhams.
3. Encashment of the bank guarantee in part or in full.
4. Stopping of the Broker from working for a period not exceeding one week.

The Market's board of directors may recommend to the Authority the removal of the Broker from the register of licensed Brokers.

b - The Broker may appeal to the Authority or appeal to the competent court, as the case may be, within thirty (30) days from the date of the issue of the decision imposing the penalty if made in praesentia, and from the date of the notification of such decision to the Broker if made in absentia.

Chapter Three

The Listing of Securities in the Market

Article (25)

The Market shall not approve an application for the listing of any Securities before the entity issuing such Securities obtains the Authority's consent to listing.

Article (26)

1. The Market shall determine the conditions to be met for the listing of any Securities therein, provided that such conditions shall not be less than what is prescribed pursuant to the provisions of the Law and the regulations issued in implementation thereof.
2. The Market shall draw up the model format for applications for listing and specify the procedures for the submission thereof. It shall have entire discretion to accept or reject the application, even where the entity issuing the Securities has obtained the Authority's consent to listing.

Article (27)

As soon as it approves the listing of any particular Securities, the Market shall:

1. Furnish the company the issuing the Securities with its own Trading code and an abbreviated name in the Arabic and the English languages. The selecting of

the code and the abbreviated name shall be the Market's prerogative, provided that there is no similarity of names in the Markets.

2. Maintain the most recently up-dated register of the company's shareholders compatible with an electronic model format made for the holding of data and available in the Market, and take into account the task of updating the data recorded in such register in accordance with any trading taking place in the Securities.

3. Install a terminal in the office allocated to the registrar of the company whose Securities are listed, whereby such registrar can have access to the company's register for query purposes and to effect the necessary updating on the company's register which he has.

Article (28)

The Market shall maintain a register of the companies and entities whose Securities are listed therein, and inform the Authority of the entering of any Securities therein within a period not exceeding one week from the date the entry took place. It shall also inform the Authority of all amendments relating to information previously entered, immediately upon the effecting of such amendments.

Article (29)

A company or entity shall, within ten days from the approval of the Market for its Securities to be listed therein, and before Trading opens in its Securities, make public its annual financial statements, and a summary of the report of its board of directors submitted for listing purposes, in two daily newspapers of wide circulation appearing in the State in the Arabic language.

Article (30)

The provisions of the Law and the regulations and instructions issued in implementation thereof concerning transparency and disclosure shall be complied with in respect of the Securities listed.

Part Four

Trading in the Market

Article (31)

1. Trading in Securities shall be carried out on the Floor over at least five working days in the week, excluding official holidays, Trading activity not to be for less than two hours in the day. The Markets may, after obtaining the Authority's consent, vary the days and hours of work.

2. The Market shall advise the Authority of the days and hours of work it approves. The Markets may, after obtaining the Authority's consent, vary such

days and hours.

Article (32)

The Market shall provide an electronic trading system which secures the following:

1. The automatic stopping of purchase orders which exceed the limits of the Broker's bank guarantee or reach the limit of the special order referred to in the second paragraph of Article (33) of this regulation.
2. The enabling of all companies and entities whose Securities are listed in the Market, and their registrars, to view the register of their own shares.

Article (33)

1 - With the exception of Trading relating to special orders, Trading in the Market shall be carried out through an electronic Trading system made available by the Market and in accordance with the provisions as to Trading in the Law and the regulations and instructions issued in implementation thereof.

2 - Under these regulations a special order shall be deemed to be every order approved in advance by the Market, and relating to a transaction which is in connection with the Trading of Securities, and within the range of 80% or more of the Broker's bank guarantee.

Article (34)

The Market shall make the rules relating to the fixing of the opening hours for the Floor and the operations of the Clearing, the rules as to admittance thereto, and the instructions to be observed by those present therein.

Article (35) [2]

1. The Market shall assign a single number for each investor, and shall also assign one trading account with any broker account. However, a trading account may be opened in the names of two or more investors.

2. Exceptional to clause (1) of this Article, the Market, upon the Authority's approval, may assign more than one number for the investor in cases that require so, furthermore trading is permissible through Omnibus Accounts System in accordance with the controls and procedures set by the Market and approved by the Authority.^[3]

3. Upon assigning an investor number the Market must obtain from the investor a statement of his bank account to which cash distributions of his dividends will be

transferred, provided that such statement is signed by the investor to confirm his acceptance thereof. The Market shall verify that each and every investor therein provides such statement prior to executing any trades.

Article (36)

Clearing and settlement operations in the Market shall be carried out on the basis of delivery against payment of the price. The Market's board of directors may specify the interval in time between the effecting of a Trading transaction and the completion of the settlement related thereto, provided that it shall not extend beyond the end of the second working day following the effecting of the Trading transaction.

Article (37)

The director general of the Market may cancel an executed Trading transaction after submission to him of a written request therefore from the two brokers to the transaction. His consent to such cancellation shall be conditional upon there being serious reasons in justification and on the feasibility of restoring the respective parties to the transaction to the position they were in prior the execution of the Trading transaction.

Part Five

The Market's Finances

Article (38)

The Market shall be financed from the following sources:

1. Listing fees and annual fees levied on listed companies and on entities whose Securities are listed, or on Brokers.
2. Fees levied on trading, and fees for the services rendered by the Market.
3. Any fines levied on Brokers, or on companies or entities whose Securities are listed for Trading.

Article (39)

The Market's fiscal year shall commence on the first day of January and end on the last day of December of the same year. Excepted from that shall be the Market's first fiscal year which shall commence on the date the Market's work commences and end on the thirty-first of December of the year following the date work commences.

Article (40)

The Market shall furnish the Authority with the balance sheet, the income and expenditure account, and the annual financial statements audited by an accredited auditor, within one month from the end of its financial year.

Article (41)

This regulation shall be gazetted in the Official Gazette and shall come into force as of the date of their gazetting.

Fahim Bin Sultan Al Qasimi

Chairman of the Board of Directors.

Issued in Abu Dhabi

29/4/2001

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- [1] - Article (9) has been amended according to Decision No (35\R) of 2008.
 - [2] - Article (35) has been amended according to decision No (1) of 2015
 - [3] - Clause No. (2) of Article (35) has been amended according to the Chairman of the Authority's Board of Directors' Decision No. (12/R. M) of 2016.