

# UNITED ARAB EMIRATES

Securities and Commodities Authority-United Arab Emirates

Guidebook to  
Investors' rights in Securities in  
United Arab Emirates

BOOST YOUR KNOWLEDGE ....  
INCREASE YOUR INVESTMENTS...

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The National Project to raise investors' awareness  
in Financial Markets

Guidebook to  
Investors' rights in Securities  
In United Arab Emirates

First Edition 2018

## Guidebook to Investors' Rights in Securities:

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**Speech of the Minister of Economy - Chairman of the Board:**

There is no doubt that the attention paid by the UAE to the stock markets stems from the conviction of the wise leadership in the vital role undertaken by these markets in the sustainable development process, in view of the function carried out by the financial markets as a channel for mobilizing domestic savings, directing them towards productive areas, and their role in providing long-term financing for economic projects, taking into account their effective capacity to rationalize the use of resources and support economic development programs.

Experience has shown that whenever there is an active and strong financial market, growth and prosperity will increase, as well as the importance of financial markets in stimulating the local, private and foreign sector to invest, because of its liquidity features, risk distribution, daily and regular identification of realized returns, which entailed the creation of appropriate economic legislation.

As a result, the Securities and Commodities Authority (ESCA) as a regulator and supervisory body on the financial markets, do not hesitate to do their utmost to provide the opportunity to invest savings and monies in securities and goods to serve the interests of national economy, and ensure the integrity and accuracy of transactions, as well as ensure interaction of supply and demand factors to determine prices and protect investors through employment and activation of all appropriate methods and means to establish the basis for proper and fair dealing between different investors, issuing regulations and decisions and various necessary legislation in accordance with best international practices. It is worth mentioning that the Authority's umbrella of protection extends to include the rights of all investors, whether they are shareholders of listed companies, or other categories of investors.

As part of its quest to find the best ways to protect the rights of investors and parties involved in the CapitalMarket, promoting sound practices for dealers, protecting all dealers from illegal practices, or those involving fraud, deceit and manipulation, the Authority launched - The National Investors Awareness Project In Financial Markets –under which this study falls within its initiatives; And which has been prepared to be as a guidance assistance for each investor to help him further understand his rights and obligations, based on firm convictions that investing in securities is a fundamental pillar of the national economy, and that investors are the cornerstone to whom all attention and consideration should be given.

Finally, I look forward that all investors will have the opportunity to look into the content of this book, and find in it all the basic information that will enable them to know their rights and their responsibilities, reflecting positively on performance in UAE Financial Market.

May Allah grant us success,

Engineer/ Sultan Bin Saeed Al Mansouri

**Speech of the Chief Executive Officer:**

This study reviews the rights and obligations of investors, based on applicable legislations in UAE according to a group of axis including: rights of shareholders in listed companies, rights of shareholders in other categories, rights of investors in what is related to disclosures and flow of information, in additions to summary of the Authority's role in protecting the investor's rights.

Under this study, the Investor in Securities has been identified as being the natural or moral body who invests his money in securities, which are shares, bonds and instruments (Sukuk), issued by joint stock companies, bonds and treasury bills issued by Federal Government or Local Government or Public Authorities or Public Institutions in the State, and the Investment Units issued by Investment Funds, Deposit Certificates, and any other local or foreign Financial instruments, approved to be dealt with by the Authority's Board of Directors' Management.

This Study has been prepared, based on various sources, including Law of Securities and Commodities Authority No.4/2000, and companies commercial law issued in a decree in Federal Law no.2/2015, and the regulations and decisions issued by the Authority ...all of which guarantee exceptional protection for all shareholders and all categories of investors, with rights equitable to their peers in global best practices.

It is important here to note that, the fundamental rule on which all shareholders rights is based on, is the full equality of the same category of shares, and equal protection for shareholders, no discrimination between one share and another of the same category, or between on shareholder and another, it is all equal in value, and each shareholder enjoys the same protection and rights, each to the limits of his shares.

The Securities and Commodities Authority is full aware that the protection of the investors in the market is achieved by preventing unfair or illegal practices – such as fraud or deceit or manipulation– focusing on disclosure, providing financial data, analyzing it, and putting it under the

investor's disposal, monitoring all parties subject to the supervision of the Authority, so as to enhance confidence in the Financial Market and maintain its integrity, developing methods of systems and parties working in securities trading, cultivating procedures ensuring to curb perils linked to securities transactions, forcing Financial Services and Brokerage Companies to adhere to standards of professional conduct, laws and regulations provisions, imposing sanctions stipulated in the Authority's law on violating parties. The Authority is well aware at the same time, that there is no way to protect the investor from the Market Circumstances itself, entailing increase or decrease in prices, effect of the companies' profitability, future's prospects without working on promoting and developing his investment awareness.

There is no doubt- in view of the efforts exerted by the Authority to regulate the Financial Market and promote its stability, uplifting levels of disclosures in it- keeps in mind, upholding the investor's rights, through the issuance of regulations and legislations, launching awareness-raising campaigns on investor rights, in Finance Market, preparing digital, film and print versions, which consists with its other goals aiming towards enhancing values of integrity, transparency and professionalism in the market.

And though the Authority totally believes that protecting investors' rights contributes in attracting more local and foreign investments, but the investor on the other side- is obliged to seek specialized legal of financial advice when taking investment decisions through reliable and trustworthy channels and sources, and perhaps this is what prompted the Authority to prepare this book to provide all this information related to the investors rights and obligations in one source or reference.

Hope this issue will realize the desired goal, representing a guide and a reference to all categories of investors.

Allah behind the intent....

**Phd. ObeidSaif Al Zaabi**



**Guidebook to Investors' Rights in Securities:**

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**Dear Investor in Securities,**

Know your rights.

Invest carefully.

Do not be fooled by rumors and do not promote it.

Take your investment decision on true information.

**You should know that:**

The Securities and Commodities Authority protects your rights in the framework of its legal role.

And is glad to offer you this booklet regarding the rights guaranteed by legislations of United Arab Emirates.

## **Introducing investors in securities**

### **Who is the Investor in the Securities?**

Investor in Securities, means, a natural or moral body who invests his money in securities, which are shares, bonds and instruments (Sukuk), issued by joint stock companies, bonds and treasury bills issued by Federal Government or Local Government or Public Authorities or Public Institutions in the State, and the Investment Units issued by Investment Funds, Deposit Certificates, and any other local or foreign Financial instruments, approved to be dealt with by the Authority's Board of Directors' Management.

A shareholder in listed companies, means, anyone who owns shares in a listed company in one of the Financial Security Markets in the State, whether he was one of the founders of the company or has owned such shares after its establishment for any reason (purchase, waiver, inheritance). And such companies, either public shareholding companies which should – as a rule- be listed in the Financial Securities Market, or private shareholding companies which may be listed in the Market by a decision from its Board of Directors.

Shareholders are differentiated from other categories of investors for being Right Owners in shareholding companies, as partners in the company, they own its fate, and are treated on an equal footing as long as they are shareholders of a single class and whether their long-term investment, for their desire to retain shares and reap profits, and may be participate in management, or their short-term investment with the aim of speculation and profit by buying shares and selling them on the stock market. In both cases, the owner of the share for a long or short period is a shareholder for the duration of his ownership of the stock, and is an investor in securities.

**Accordingly, each shareholder is an investor, but not each investor is a shareholder,** for the term- investor-in addition to shareholders in

shareholding companies, owners of bonds and instruments (Sukuk), and investment units issued by investment funds, treasury bills issued by

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Federal Governments or Local Governments or Joint Stock Companies, or Deposit Certificates, Priority Rights, or any other financial instruments such as securitization bonds, option rights, provided that it is approved by Authority's Board of Directors.

The outcome, is that the investor in securities is any person dealing with securities or financial instruments where the Securities Authority accepts to deal with it, and it is either ownership rights like shares or investment units or credit rights such as bonds, or derivatives or option rights such as treasury bills and priority rights and securitization bonds. **If the Securities and Commodities Authority aims at** providing the opportunity for investing the savings and monies in securities and commodities in what may serve national economy and ensures safety and accuracy of transactions and guarantees interaction factors of supply and demand, with the aim of determining prices and protecting investors through establishing fundamentals of proper sound dealings between different investors, for protection of Authority covers all investors, whether they are shareholders in listed shareholding companies, or other investor categories. Accordingly, we will divide this guide into four axis according to the following:

<b>First Axis</b>	Shareholders Rights in listed companies.
<b>Second Axis</b>	Shareholders Rights in other categories.
<b>Third Axis</b>	Disclosures and flow of information are the investor's rights.
<b>Fourth Axis</b>	The Authority's role in protecting Investors Rights.



**FIRST AXIS**  
**SHAREHOLDERS' RIGHTS IN LISTED COMPANIES**

## **SHAREHOLDERS' RIGHTS IN LISTED COMPANIES**

Commercial Companies Law issued by Decree Federal Law no.2/2015, regulations and decisions issued by the Securities and Commodities Authority ensures exceptional protection for the shareholder, and rights equivalent to the shareholders' rights according to best global practices.

The Emirates legislator has made this protection a target for the Commercial Companies within its goals listed in article (2) thereof, as well as one of the goals of the Securities and Commodities Authority, listed in article (3)/2000. It can be said that the protection of shareholders' rights is one of the pillars of commercial companies' law and the Authority's law and its legal regulations.

The fundamental rule on which all the shareholders' rights are built, is full equivalence for shares of the same category (1), and same protection for shareholders, no discrimination between one share and another in the same category, or between one shareholder and another, for the shares have equal value, and each shareholder enjoys the same protection and rights enjoyed by other shareholders, each within his ownership of shares.

**A Person owning shares in a Joint Stock Company entitles him to the following basic rights:**

- (1) He will be considered as a partner in the company, and an owner of his share with all its assets, equivalent to his shares therein, bearing any obligations on the company within his shares.
- (2) The right to obtain a copy – on his own expense- of the Memorandum of Association and the Article of Association.  
And the legislator required the company to provide a copy of the Memorandum of Association and its Article of Association on the company website, along with any other documents or information specified by the Authority.
- (3) The right to look into company books and documents, and any instruments or credentials related to a deal, the company has concluded with one of the concerned parties (2) with the permission of the Board of Directors, or through a decision from the General Assembly or according to what is stipulated in the articles of association of the company in this regard.

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(1) Article 206/2 of Commercial Companies Law, authorized the Council of Ministers according to a proposal from the Authority's Board of Directors, to issue a decision specifying other types of shares and its issuance terms, rights and obligations entailed, rules and procedures regulating it. But such

text has not yet been activated, and the listed shares in the Financial Security Market in UAE is still for each listed company, for one category and have equal rights.

- (2) The parties of concern are: the Chairman and Company Members of the Board of Directors, Higher Executive Members of the Company, company employees, companies in which any of those are shareholders in not less than 30% of its capital, as well as the subsidiaries, affiliates and associates.

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(4) The right to attend the General Assembly meetings and discuss the Agenda items, according to discussion system approved by the Assembly, and the right to vote for the decisions.

(5) The right to obtain his lot share from what he owns in the profit, and it is not permissible to agree in the company contract, to deprive anybody from the partners from the profit or absolve him from loss, or letting him a fixed interest on his share in the company.

(6) Priority right in subscribing in stock increase, in case the General Assembly decided to increase the Capital, according to the percentage of shares he owns, and his right to financial benefit from priority right through selling in the market during the period for sale of priority rights, which is not less than ten working days, provided that the expiry date of the subscription period shall be five working days.

(7) The right to sell his shares in the Market for a fair price according to supply and demand rules, considering the period of the sale ban for the company founders.

(8) The right to be nominated to the membership of the company Board of Directors, and the election of the members of the Board of Directors, according to the terms and criteria stipulated in the law, regulations and decisions issued by the Authority and the Articles of Association of the Company.

(9) Right of obtaining his share of company assets on winding the company by the proportion of his shares, according to the restrictions and terms stipulated by law and the articles of association of the company.

(10) Right of obtaining information, as regulated by law and determined by regulations issued by the Authority, and the Authority is entitled to force the company to give specific information for the shareholder, not interfering with the company interests.

(11) The company's management may not squander the rights of shareholders organized by the provisions of the law or the statutes. Any decision issued by the Board of Directors or the General Assembly of the Company, affecting in any way, the rights of the shareholder derived from these provisions or increasing its obligations, shall be considered null and void.



**These are the fundamental rights ensured by law for the shareholder,**

But the legislator was not satisfied by stating the previous rights, sending it without details or protection, instead- he set- in the commercial companies' law and governance system – provisions that ensure its achievement, and the most important legal provisions are evident in the following:

First: Protection of the shareholders rights by defining the nature of the share that the shareholder will contribute with and how it is evaluated:

- 1) To establish equality, all should contribute cash or in-kind shares, for the company capital entails estimated cash shares or in-kind shares or either, and it is not permissible for a partner's share to be his reputation or influence, though the share or the in-kind share given by the public figure, a concession or a usufruct related to the use of public monies, uch as management contract for a public facility, or the provision of a public service such as transport or health, which may be assessed as an in-kind share.
- 2) For transparency and equality, without untrue over-evaluation of the in-kind share, the law required that the in-kind shares to be evaluated through one or more financial consultants chosen or to be chosen by the Authority from those technically and financially expertise parties approved by the

Authority, otherwise the evaluation is considered as void, and evaluation is carried out at the expense of the presenter. The Authority is entitled to discuss the evaluation report and object to it, and may appoint another evaluator if so required, on the expense of the expense of the company under incorporation, and the evaluation of the in-kind shares following the company incorporation phase to the same provisions.

- 3) In the interest of shareholders' funds, and so that some founders do not achieve unfair advantages, the law required the Board of Directors- right upon the Company's purchase of assets, or institutions with a total value of more than (20%) of its capital prior to the approval of the General Assembly for the first financial year - notify the Authority, and the Authority may subject such assets, companies or institutions to the evaluation.

4) To achieve balance between the freedom of the founders freedom in subscribing in the company's shares in a specified higher ceiling share preventing full control, and a specified lower ceiling doubting the project's quality targeted by the new company, the project required the founders to subscribe in no less than 30% shares and no more than 70% of the issued company capital before invitation for the public offering in the remaining company shares, and the founders may not subscribe in the shares offered for public subscription.

5) So that the foundation of companies will not turn to a process of deception and fraud and then moving out of the founders from the company after selling their shares with prices that might be higher than the fair price, but due to false promotion and advertisement campaigns for the company assets and aspirations, the law prohibited dealings in founders cash or in-kind shares, before publishing for two years at least, the budget and the profit and loss account of the company, and the same provision applies, in case of increasing the capital before the end of prohibition period, and it is up to the Authority's Board of Directors to issue a decision to increase the prohibition period, so as not to exceed three years, and during such period, these shares may be mortgaged, or transferred through sale from one founder to another, or from one heir to another in case of death to third party or to founder's bankruptcy to third party or due to final judgment.

**Second: Protecting the shareholders rights by regulating the invitation to public offering:**

No company except the Public Shareholding Company may offer any securities in a public subscription, and no company or any party or natural or legal person, founder or registered within the state, or in the free zone or outside the state, publish any advertisements in the state that includes invitation for public offering in securities before obtaining approval from the Authority according to terms and conditions specified in such regard.

The offering prospectus of the public shareholding company shares directed to the public should be signed by the founders, consultants and the participating parties in the founding processes and their representatives, and will be jointly responsible for the correct data therein.

That's why, invitations or offerings not obtaining the Authority's approval should not be dealt with at any temptations no matter what, so that one will not fall in the clutches of crooks.

**Third: Investors Rights during subscription stage**

Subscription means, invitation for public offering, in the company shares of the public sharing company issued within the state. The commercial companies law set fundamental commercial law for public offering in shares, and the Securities and Commodities Authority's Board of Director's decision no.11/2016 pertaining to subscription and issuance of public sharing company shares, has organized the regulatory provisions, procedures and controls for the offering of public shareholding companies, in all its cases, whether on the founding of the company, or when switching from one legal form to a public sharing company or when increasing its capital.

The main target for regulating the offerings' provisions and procedures was keep away small investors from falling into traps of false promotions in such that important phase, which makes it difficult for them to identify the realities of financial centers and feasibility studies, specially for companies under incorporation, where it is not yet listed in a market specifying the share's price according to the mechanism of supply and demand, and the basis of dealing with such shares are mere expectations or trust in the founding parties or promotions.

Investors Rights can be summarized in this stage as follows:

**1) According to offering the company shares upon incorporation:**

- Obtaining the approval of the competent authority on the incorporation of a public sharing company.
- Subscription is limited to qualified investor (1), excluded from that, banks, finance companies and insurance companies.

Because subscription in the shares of banks, insurance companies, finance companies under incorporation, are not limited to qualified investors.

-Provided that the minimum amount for the qualified investor's subscription is 5 million dirhams.

**1)-1) Description of the qualified investor is available in two types of investors:**

**First: The investor capable on managing his own investing, specified and numbered by the legislator in the following categories:**

- a) The Federal Government and the Local Government, Government Institutions and Authorities, or companies completely owned by any of them.
- b) International bodies and organizations.
- c) The person licensed to practice the commercial activity, one of which is investment.
- d) Natural body with solvency, whose annual income is approximately no less than (1) million UAE dirham, or his net equity rights- except his main residence –5 million dirham, and probably has enough knowledge and experience- whether by himself or with the assistance of financial adviser- to evaluate the prescription prospectus, and the accompanying or resulting advantages and risks of investment.

**Second: The investor represented by investor manager licensed by the Authority.**

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- Senior Management has the necessary pertaining expertise in the company activity to manage its business.
- Appoint the offering processing parties and the in-kind shares evaluator, if there in-kind quotas, and continue the appointment of an enlisting advisor for two years from the date of listing the issuing company in the market.
- Provide an upgraded prospectus according to what is required by law and the offering regulation (1).
- Availability of enough Operational Capital for (12) months following to the Authority's approval date of the prospectus date according to the feasibility study.

2) Offering company's shares upon converting, requires the following:

Since the switching to a public shareholding company requires following founding procedures, and prior approvals to switching, the system required the offering of shares of a company that was in a different legal form, and decided to switch to the form of a public shareholding company, the following:

- Issuance of a special decision from the General Assembly of the company or its representative – according to its form- to convert to public shareholding company.
  - Obtaining the approval of the competent authority on the establishment of a public shareholding company.
  - The value of the quotas or the issued shares should have been fully paid, or that the parties' shares have been fully fulfilled.
  - The company has announced has its financial audited statements for two fiscal years prior to the offering request, and have upgraded its financial statements, without exceeding three months from the date of publication of the prospectus-, provided that the company has achieved net operational profits, distributable on shareholders or partners through the activity for which it was established, no less as average than 10%of its capital through the last two previous financial years preceding the conversing request.
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1)-1)The prospectus should fulfill the following data and information:

- a) The basic risks pertaining to the company, including its assets, obligations and its financial status.
- b) Risks related to investment in shares including rights pertaining to shares.
- c) General terms for the offering, including estimation for expenses that might be incurred by the investor to subscribe in the shares.
- d) Reason and goal of the offering, and how to use the amounts resulting from the offering.
- e) Controls and reporting about the governance applied at the company.
- f) Policy and mechanism of profit distribution.
- g) Specifying parties for offering process, and in-kind evaluator- if in-kind quotas are present- showing terms, details and contract period for each of them.



- Senior Management has the necessary pertaining expertise in the company activity to manage its business.
- Set a hand to receive the subscription.

**3) For Offering company shares when increasing the capital, the following is required:**

The legislator set controls for offering shares for public sharing company when increasing its capital as follows:

- Issuance of a special decision from the company general assembly, and obtaining the authority's approval to increase its capital.
- Complete fulfillment of the issued company capital.
- Appointing the Offering processing parties, and the in-kind quotas evaluator if in-kind quotas exists.

**4) Disclosure for prospectus:**

To ensure knowledge of whoever wants to subscribe in the prospectus and the necessary information to take his decision to invest or not to invest, and so that no few people grab such information exclusively, the legislator required the company wishing to offer the following:

- Deposit the prospectus at the Authority, ensuring its availability and accessibility free of charge for the public for no less than (5) working days before subscription at the company headquarters and the IPO receiving entities, and (15) days in case of increasing the company capital.
- The announcement of the offering shall be published no later than the working day following the date of deposit of the prospectus or additional prospectus, provided the announcement is published in two daily local newspapers issued in the state, one of which is in Arabic language, whereby publication shall be 5 days at least before the starting date of the offering. Announcement should be in accordance with sample approved by the Authority.
- Prospectus should include all necessary information that enables the investor to take his decision, and in case the company did not disclose some of the important information to protect its interests or the investors' interest, then it should, after the Authority's approval, refer to that in the prospectus, mentioning the reasons and excuses and its effects.



Immediately disclose any important information occurring on the prospectus, and may not disclose any of such information except for specified non-investors unless it was necessary and after approval of the authority, provided they are bound by confidentiality.

- The financial advisor is committed within two days from the date of approving the prospectus, to provide the Authority with and e-copy of the approved published prospectus to publish it on its electronic website, with providing an electronic copy of the offering prospectus on the company electronic website and the IPO receiving parties.

**5) Following Price Construction Mechanism:**

- The legislator in the Commercial Companies Law, and in offering system issued by the Authority, allowed the adoption of the price construction mechanism when offering shares of public shareholding companies under incorporation, or when converting it or when increasing its capital. (1) After obtaining the approval of the Authority. The company is prohibited from declaring or disclosing by any means whatsoever, about its intention to issue or sell the shares through following procedures of price construction for shares before obtaining the approval of the Authority on the request.

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- 1) The Price structure of a share is the process by which the share price is determined when it is issued or offered for public subscription, and is carried out through a technical process performed by the financial advisor as follows:
    - a- Inviting a number of qualified investors to hold a series of meetings, to report on the issuing company's business and activities.
    - b- To solicit the opinion of qualified investors regarding their initial perceptions of the value of the shares to be offered for subscription by the issuing company.
    - c- Cooperating with issuing company in studying and analyzing qualified investors opinions to take decisions on the details of the planned offering and the price range of the shares in the offering.
    - d- Cooperating with the issuing company to prepare a preliminary subscription prospectus in which the share price range is specified and submitted to the Authority to obtain its approval as an introduction to announce the offering, with the exception of the advertisement periods specified in the item no.(1) of article (12) of offering system.
    - e- Presenting offers to investors on shares to be offered by the issuing company.
    - f- Carrying out illustrative educational campaigns for investors, introducing them to share price construction system.

- Subscription applications for shares offered by investors are received during the period specified in the Offering Prospectus. Applications for the subscription of individual investors may be received at the same time as the qualified investors, subscription applications may also be received in two phases. First stage for qualified investors (under an initial subscription prospectus setting the share price range), followed by second stage for individual investors, and in this case, the share price is determined in light of the results of the eligible investors' entitlement (under a final subscription prospectus containing a fixed price per share), and the issuing company must announce this price before the start of the subscription period of Individual investors are to be subscribed accordingly as defined in the prospectus.
  
- The financial advisor solicits and records the qualified investors polls in the private IPO shares offered record, and the parties receiving the IPO receive the subscriptions provided by individual investors requests. The subscription order register is built through subscription applications from qualified investors only. In the light of the steps, the Company in cooperation with the financial advisor determine the share price, in the final prospectus after analyzing the data of the IPO shares offer and according to the allocation mechanism disclosed in the IPO prospectus, whereas the allocation to individual investors, shall be in accordance with the provisions of the Companies Law and the price reached. The price fixed for individual investors may be reduced from that fixed for the qualified investors, according to what is disclosed in the final IPO prospectus. The allocation is made to qualified investors according to the company's views and not contrary to the prospectus.

When applying this mechanism, the following should be required:

- Offering a percentage of not less than 20% for individual investors and no less than 60% for qualified investors from the shares offered for subscription, except for companies newly incorporated in which offering is limited to qualified investors.
- Allocating what hasn't been covered from the share offered to individual investors, to qualified investors, to the extent of the qualified investors submitted applications.
- Cancel the Offering according to the price construction mechanism, in case the qualified investors didn't cover the minimum 60% stipulated for them.
- Contracting with a financial advisor to carry out the public offering and subscription, according to price construction mechanism and supervision.

In the event that the subscription process cannot be completed, at any of its phases, the Authority may reject any new request that the company may submit for the same purpose.

**6) Receiving Subscribers complaints:**

Complaint is one of the human rights in general, for every human has the right to express his complaint to the competent authority to in order to respond to his injustice or unfairness, and the Authority's legislations in general has ensured investors, the right to complain. Confirming the importance of public offering and its quick processing, the offering system required the company wishing to have public offering and subscription, to handle complaints from subscribers in coordination with IPO receiving parties within five working days from the date of submitting the complaint, provided it is submitted during the subscription period or a maximum of one month from the subscription closing date.

**7) Electronic Subscription:**

To facilitate the investors right in subscribing in the offered shares, keeping pace with information development and communication revolution, the legislator permitted subscription to be carried out electronically, subject to the following minimum controls:

- Parties receiving electronic IPO, should have comprehensive secure electronic system, that allows the identification of the subscriber.

- Taking the electronic arrangements, enabling the investor to look into the prospectus before filling the electronic subscription application, and the laid-out prospectus form should not be liable to modification and the prospectus itself should not include sub-links.
- The subscriber customer should have a bank account.
- The cited subscription electronic systems should include detailed guidelines for investors to be fully aware of their rights and obligations.

**8) Distributing shares between subscribers:**

Commemorating the process of subscription, the legislator organized the way of distributing the shares on subscribers, to achieve justice and equality, and preserve them their rights, according to the following:

- Allocating shares for subscribers during a period not exceeding 5 working days from closing subscription.
- Reimbursement of surplus amounts paid by individual subscribers and the proceeds thereof which no shares have been allotted for it within a period not exceeding (5) working days from the date of allotment of shares to subscribers.
- If subscription exceeded number of shares offered, shares have to be distributed on the subscribers in the percentage of what they have subscribed, or as defined in the prospectus and approved by the Authority, and the distribution is carried out to the nearest correct share.

Fourth: protecting the shareholders rights by controlling the management of the Public Shareholding Company

The Company Board of Directors is the Executive Authority in the company, administering its affairs under the surveillance of its General Assembly which consists of all the shareholders. That's why, the law was keen to rationalize such departments and control the behavior of the Board Members, to protect the shareholders rights, and the controls set by law include the following:

1) The legislator was keen to have a management with various experience, for the company Board of Directors, should include, in addition to the executive members, non-executive members and independent members,

The Articles of Association defines the executive and non-executive members and the independent members(1), whereby one third of the members at least should be independent members, the majority shall be non-executive members, who should have practical experience and technical skills, reflecting benefits to the company, and in all cases, when choosing non-executive members for the company, consideration should be given that member should be able to allocate adequate time and attention to his membership, and that the latter should not represent a conflict with his other interests.

- 2) The Board of Directors carries out all powers specified in the Articles of Associations of the Company except what the law or the articles of associations have considered as the competence of the General Assembly, and despite that, the Board of Directors may not hold long term loans for more than three years or sell company properties or shop or mortgage company movable or immovable money, release the debtors of the company of their obligations or making conciliation and agreeing to arbitration, unless such behaviors are declared in the articles of association of the company or was inherent in the purpose of the company, other than these two cases, to conclude such behaviors, a decision from the general assembly should be issued.
- 3) The General Assembly elects the Board of Directors through secret ballot (2) taking into account women's quota in the boards' membership (3).
- 4) Board of Directors' member undertakes to maintain company rights, and exert best keen efforts, performs all actions that conform to the purposes of the company, acting with honesty and sincerity, taking into consideration, the company interests and its shareholders, exerting best possible efforts, abiding by provisions of the law, the applicable laws and regulations, the Articles of Association of the Company and its by-laws.

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(1) The Executive member of the Board of Director is the member who holds a position in the company and receives a monthly or annual salary from the company.

The non-executive member board of director: is the member who does not hold a position in the company and does not receive a salary from them, and the remuneration he receives as a board member is not considered a salary.

(2) A cumulative vote means that each shareholder shall have a number of votes equal to the number of shares he holds, so that he may vote for one candidate for the Board of Directors or distribute them among his chosen candidates, provided that the number of votes he gives to the candidates he chooses does not exceed the number of votes he holds.

(3) The governance system issued by the Authority recognized a positive endorsement in favor of women, whereitrequired representation of women not to be less than (20%) of the board of directors of the public joint stock company, and the company is obliged to disclose the reasons for not achieving that percentage.

It also required that the Company's Articles of Association specify the representation of women in the Board of Directors in the event that there are candidates for membership during the period of opening the candidature for membership of the Board of Directors and their meeting the conditions of membership. This means that the Articles of Association may include a percentage for women representation exceeding 20% of the members of the Council, but may not be less than that as a text in the Articles of Association.

If this percentage is not achieved when the Council is elected, the reasons for its failure must be disclosed, so that such reasons are under the scrutiny and control of the Board to verify its validity.



He undertakes, once he holds a membership in the board of directors, to disclose to the company, any work he takes, whether direct or indirect, that constitutes competition for the company, and the names of the public companies and institutions in which he works or holds a member in its board of directors, and other important commitments, defining the time allotted to it, and any changes occurring right on the spot, giving enough time to carry out his responsibilities, including preparations for the board of directors' meetings and its committees, and to be keen to attend it.

Fifth: Protecting shareholders rights by preventing conflicts of interests and regulating transactions of related parties.

Collective investment is a bias in favor of private interests. People have a preference for their own interests. If the legislator does not set clear boundaries, strict controls, and prohibitions on the exploitation of the company's funds for private interests, investing in publicly traded companies will be failure and loss. The UAE is aware to these facts, and set controls to match the best global practices to protect shareholders' funds from exploitation for special considerations, including:

- 1) It is not allowed to appoint or elect anybody as a member in the company board of directors, unless he acknowledges in writing, acceptance of nomination, provided his acknowledgement includes any work he does directly or indirectly and constitutes competition for the company, and the name of the companies and institutions in which he works or holds a membership in its board of directors.
- 2) Every member in the company board of directors, having a common or conflicting interest in an operation submitted to the board of directors for approval, has to inform the Board thereof, and to prove his declaration in the minutes of the meeting, and may not participate in the vote on the decision issued in respect of this process.

And if the board of directors' member failed to report, then the company board of directors or any of its shareholders may approach the competent court to revoke the contract and oblige the violating

member to pay any profit or benefit he got from the contract and return to the company.

- 3) Any related parties are prohibited from exploiting information he obtained by virtue of his membership or job, to achieve a personal interest for himself or others, regardless of the outcome of the dealings of the companies' securities, or other transactions. It is also not permissible for any of them to have a direct or indirect interest with any entity carrying out operations intended to affect the prices of securities issued by the company.

- 4) The Company may not enter into transactions with related parties except with the approval of the Board of Directors, in what does not exceed (5%) of the Company's capital and with the approval of the Company's General Assembly in what exceeds that. Transactions will be evaluator approved by the Authority, and the company keeps records for relevant parties with their names and details of their transactions, and the procedures taken in that regard. It undertakes to provide all documents related to deals with concerned parties, nature, size and details of each transaction, and informing the shareholders of the general assembly. Details of the transaction and its terms, and the conflict of interests related to the concerned party should be listed in the annual financial data submitted to the General Assembly, and such data should be published on the electronic website of the market and the company.
- 5) If the Company enters into any transactions with the related parties, the shareholder holding 5% or more of the Company's shares may request to consult the Company's books and documents, and any papers or instruments relating to such transactions. He has the right to file a lawsuit with the competent court regarding transactions with related parties to oblige the terms of the transaction to provide all information, documents and instruments relating to such transactions, whether directly substantiating or related to the facts set forth in the claim, or leads to the discovery of information that helps to uncover the true facts. If the court finds that the transaction is unfair or involves conflict of interest, and inflict harm on the rest of the shareholders, to cancel the deal and oblige the concerned party to reimburse the company, any profit or benefit he made, in addition to compensation if it proved that he inflicted damage to the company.
- 6) No member of the Board of Directors may, without the approval of the General Assembly of the Company, renew annually - participate in any business that might constitute a competition to the company , or trade for his account or for the account of others in one of the branches of the company's activity, and may not disclose any information or data concerning the company , or the company may claim compensation, or consider the lucrative transactions that he has undertaken for his account, as if it were done for the company.

7) The shareholding company may not give loans to any members of its Board of Directors, or hold guarantees, or provide any guarantees relating to loans granted to them, and it is considered a loan granted to a member of the Board of Directors, each loan granted to the spouse or sons or any relative to that member, up to the second degree.

Also, it is not permitted to grant a loan to a company in which one of member of its Board of Directors, or his spouse or sons or any of his relatives up to second degree owns more than 20% of its capital.

Any agreement in contradiction with such provisions are considered null, and the auditor must point in his report raised to the General Assembly of the company, to such loans and credits granted to the Board of Directors, and the extent to which the company is committed to this organization.

8) The Board of Directors is committed to set written rules pertaining to transactions of the Board of Directors of the company and its employees in the securities issued by the company, the mother company, subsidiaries or affiliates, preparing special and comprehensive record for all insiders, including those considered to be temporarily insiders, who have right or have the access to internal information of the company before publication. The record also includes prior and subsequent disclosures related to insiders, forming a committee that will take responsibility of managing, following up and supervising the transactions of insiders and their properties, keeping their record, and raising regular statements and reports to the market.

9) Any decision issued in violation of the provisions of the law or the company's contract or its articles of association for the benefit of a certain class of shareholders, or to inflict harm on them, or to bring special benefit to the parties concerned or to others without regard to the interest of the company, shall be considered null and void, without prejudice to the rights of third parties.

Such invalidity shall be decided by the competent court, at the request of the persons concerned by the proceedings and on the dates fixed by law.

Sixth: Protecting shareholders rights by regulating the responsibility of the members of the Company Board of Directors:

The golden rule is that the responsibility corresponds to power, so if the Board of Director enjoyed power in the company without bearing responsibility for his actions, he it will be spoilt by absolute power.

That's why, the law was keen to define the responsibility of the Company Board of Directors, expressly stating it, and who has the right to file a claim of responsibility (1).

The law regulated the responsibility provisions of the Board of Directors according to the followings:

- 1) Members of the Board of Directors are responsible towards the company, the shareholders, and third parties, for all types of fraud and abuse of power, and each violation of the law and the company order, the error in management, and every violation contrary to that is considered void. Responsibility falls on all members of the Board of Directors, if an error arises from a unanimous decision, but if the decision in question was issued by majority, those who were against it will not be responsible, if their objection were registered in the minutes of meetings, and if one of the members were absent from the meeting in which the decision was taken, he will not be exonerated from his responsibility, unless it was proven that he did not know about the decision, or did know about it, but was not able to object.
- 2) If one or more shareholder owning at least 5% of the company shares thought that managing company's affairs is prejudicial to the interests of the shareholders or some of them, or the company has the intention to take or refrain from taking an action which will harm him, he will have the right to submit a document supported request to the Authority to issue the right decisions in this regard. If the Authority rejected the request or did not take a decision about it within 30 working days, the shareholder or shareholders will have the right to resort to the competent court within 10 days from the date of rejecting the application or because the period was over, as the case may be.

The Authority has the right to resort to the competent court if it thought that the Company's management is deemed to have been or is being done in a manner prejudicial to the interests of its shareholders or some of them, or that the Company intends to act or refrain from acting in a way that harms them.

The Court may render a judgment nullifying the conduct, refraining from acting on the subject of the request or continuing to conduct an act which it has refrained from doing.

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(1) Not only did the law allowed the filing of a claim of liability against the Board of Directors of the Company, by a decision of the General Assembly, but allowed that for every shareholder in two cases:

- If it was filed from one or more shareholder owning at least more than 5% of the company capital.
- Every shareholder may file the suit by himself- regardless of his shareholding percentage- if inflicted by direct personal harm due to the actions of the company Board of Directors.

- 3) The filing of a liability action against the Company's Board of Directors shall be due to errors which result in damages caused to all shareholders by a decision issued by the General Assembly, to appoint the person who will initiate the action on behalf of the Company.
- 4) Each shareholder can file liability action, alone, against the Company's Board of Directors, if the company did not file it, and if the error would result in his personal damage, provided he notifies the company of his intention to file action, and every condition contrary to that in the company's by-law is considered null and void.
- 5) Any decision issued by the General Assembly, discharging the Board of Director, does not entail the loss of Civil Liability Claim against the Board of Directors due to the errors committed in the execution of their missions, and if the action requiring responsibility has been presented to and approved by the General Assembly, the claim of liability will lapse after one year from the date of this Assembly. However, if the act attributed to the members of the Board of Directors is a criminal offense, the claim of liability shall not be waived except by the fall of the public proceedings.
- 6) The General Assembly may dismiss all or some of the members of the Board of Directors, even if the Company's Articles of Association stipulates otherwise, and the General Assembly in this case shall elect new members of the Board of Directors instead of those dismissed, notifying them to the respective body and competent Authority. And If a member of the Board of Directors is to be dismissed, he may not be re-nominated for membership of the Authority, before the expiry of three years from the date of issuance of the dismissal decision.
- 7) Shareholders rights in the presence of the General Assembly meetings:  
The General Assembly is the Higher Authority in the Company, and is the one which elects the Board of Directors of the company, controlling and dismissing him, holding the most dangerous decisions which might come to winding and liquidation of the company, that is why, the law was concerned to ensure real representation for each shareholder, guaranteeing a serious participation defending his rights and monies,

setting precise arrangement to attend the General Assembly according to the following:

1) Invitation for the General Assembly meeting will be sent after approval of the Authority, to all shareholders, through announcement in two daily local newspapers one of them at least issue in Arabic language, and in registered letters, or according to notifying methods defined by Authority in this regard, at least 15 days before the designated date for the General Assembly. The Invitation announcement should include the Agenda, and a copy of the invitation papers must be sent to each of the Board and competent Authority.

If the Invitation for the General Assembly was announced in a period less than 15 days from the convention date, the invitation is considered correct if approved by shareholders representing 95% of company capital.



2) The Board of Directors of the Company shall call the General Assembly to convene when one or more shareholders have shares representing at least 20% of the capital, unless the Company's Articles of Association specify a lower percentage, provided that the General Assembly shall be convened within (5) days from the date of submitting the application, and the meeting shall be held within a period of not less than (15) days and not exceeding thirty days from the date of the invitation to the meeting. The request for the invitation of the General Assembly for the meeting shall be deposited at the Head Office of the company, and should indicate the purpose of the meeting, the issues to be discussed, and the person who called for the meeting, should submit a certificate from the Financial Market in which the company's shares are listed, stating the prohibition on the disposal of the shares owned by him at his request, until the meeting of the General Assembly.

The Authority may invite the General Assembly for meeting if the Board of Directors did not comply to the same.

3) Shareholders owning 5% of the company shares, the right to submit an application to the Authority asking to list an additional item or items on the agenda of the General Assembly within five working days from the date of the company's invitation to the General Assembly, and this right grant the shareholders the possibility of putting one or more items for discussions in the General Assembly without the Board of Directors' monopolizing such right alone.

4) Every shareholder is entitled to attend the General Assembly, and shall have a number of votes equivalent to his shares, and any person entitled to attend the General Assembly may appoint a non-member of the Board of Directors under a special power of attorney in writing. The representative of a number of shareholders shall not be entitled to more than (5%) of the company's capital in this capacity.

Incompetent and helpless people are represented by their legal eligible deputies. A legal person may delegate one of his representatives or those who manage him by a decision of his Board of Directors or his

representative to represent him in any General Assembly of the company. The delegated person shall have the powers prescribed by the delegation decision.

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5) Shareholders shall register their names in a special register prepared at the company's Head Office before the date specified for the General Assembly meeting. The register shall include the names of the shareholders, the number of shares they represent and the names of their owners, in addition to presenting the proxy, and the shareholder shall be given a card to attend the meeting stating the number of votes he deserves originally and by proxy.

#### **Eighth: Rights of Shareholders during the General Assembly convention**

The General Assembly of the Company has very important competencies (1), making the shareholder keen to attend its meetings, actively participate and seriously discuss the items of the agenda, as guarantee to his rights, and activating the supervisory role of the assembly on the executive management.

And these are the rights of the shareholder during the General Assembly meeting:

- 1) The General Assembly may not deliberate in matters not listed in the agenda, except dangerous facts revealed during the meeting, where the General Assembly have the right to deliberate those.  
And if the Authority or some of the shareholders representing at least 10% of the company capital, demanded to enlist certain issues in the agenda, before starting the discussion of the General Assembly Agenda, The Board of Directors should respond to the request, otherwise the General Assembly will have the right to decide discussion of these issues.
  - 2) During the General Assembly's meeting, each shareholder shall have the right to discuss the topics on the agenda of the Assembly, ask questions to the members of the Board of Directors and the Auditors, who are committed to answer the questions to the extent that it does not jeopardize the Company's interest.
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(1)The General Assembly of the company is particularly competent to consider and take decision on the following matters:

- Report of the Board of Directors on the activity of the company, its financial position during the year, the auditors' report and the report of the Shari'a Internal Supervisory Committee, if the company was practicing its activities in accordance to the provisions of the Islamic Shari'a and its ratifications.
- Company budget and profit and loss account.
- Election of the members of the Board of Directors as required.
- Appointing the members of the internal Shari'a Supervisory Committee if the company is practicing its activities in accordance with Islamic Sharia.
- Appointing auditors and determining their fees.
- Proposals of the Board of Directors on the distribution of dividends, whether cash dividends or bonus shares.
- Board of Directors' proposal on determination of remuneration of the board members.
- Exonerate members of the board of directors, or isolate them and bring the claim of responsibility to them as the case may be.
- Exonerate the auditors, or isolate them and bring the claim of responsibility to them as the case may be.

In addition, the General Assembly has the crucial decisions of the company from the amendment of its statutes, to the decision to dissolve the company and its liquidation or merger, by special decision issued by a special majority.

The shareholder may refer to the General Assembly if he considers that the answer to his question is insufficient, and the General Assembly's resolution shall be enforceable, and any condition in the company's system otherwise shall be considered null.

- 3) The Articles of Association of the Company determines the method of voting on the resolutions of the General Assembly, however, the voting shall be secret if it relates to the election of the members of the Board of Directors or to their dismissal or accountability, and the members of the Board of Directors may not participate in voting on the resolutions of the General Assembly for exonerating them from their responsibility for their management or in connection with their own interests, conflicts of interest or a dispute existing between them and the Company. In the event that a member of the Board of Directors represents a legal person, the shares of that legal person are excluded.
- 4) The minutes of the General Assembly Meeting shall be released including the names of the shareholders present or the representatives, the number of shares in their original or proxy holdings, the number of votes cast them, the resolutions issued and the number of approved or opposed votes, and a compendium of the discussions held at the meeting. The minutes of the general assembly meeting shall be recorded regularly after each session in a special record, to be followed in the holding of the regulations issued by a decision of the Authority. Each minute shall be signed by the president of the General Assembly and its rapporteur, the sound collector and the auditor. The signatories of the meetings shall be responsible for the accuracy of the data contained therein.
- 5) Resolutions of the company General Assembly shall be issued with the majority of the shares represented in the meeting or any greater majority determined by the statute.
- 6) Minutes of meetings of the shareholders General Assembly are kept at the Head Office of the company, and any shareholder may look into the minutes, free of charge during scheduled working hours, and in case the company refused or did not abide by the provisions of this article, the

authority may issue an order requiring an audit of the records regarding the deliberations of the General Assemblies, and may issue an order to the company to hand over the required copies to the person or persons who requested them.

- 7) The Authority may, at the request of a shareholder holding at least (5%) of the Company's shares, issue a decision to suspend the resolutions of the General Assembly of the Company, which have been prejudiced against them or issued in favor of a certain class of shareholders, or to bring special benefit to the members of the Board of Directors or others, once seriousness of the request was proven.

The request for suspension of the implementation of the General Assembly's resolutions shall not be accepted after (3) working days from the date of the issuance of such decisions, and those concerned shall bring the case to the request of annulment of these decisions before the competent court and notify the Authority in a copy thereof (5) days from the date of issuance of a decision to suspend the implementation of the decisions of the General Assembly, otherwise suspension shall be considered as if it didn't exist.

The court shall consider the invalidation of the decisions of the General Assembly and may order as a matter of urgency to suspend the implementation of the decision of the Authority at the request of the opponent, pending decision on the merits of the case.

**Ninth: Shareholders' rights regarding the increase of the company's capital**

- 1) Shareholders have priority right to subscribe to new shares, each condition is otherwise void in the Company's system or the decision to increase capital. The shareholder may sell the right of priority to another shareholder or to others in return for a financial consideration, in accordance with the decision of the Board of Directors of the Authority organizing the conditions and procedures for the sale of the right of priority. Excluded from applying priority rights are the cases of the entry of a strategic partner in the company, the conversion of cash debt into shares in the company, the ownership of shares of employees of the company under the system to motivate employees and integration.
- 2) The new shares shall be distributed to the shareholders of the underwriters by the percentage of their shares, provided that they do not exceed what they have requested.
- 3) The Company or any subsidiary thereof may not provide any supporting material to any shareholder enabling him to own any shares, bonds or instruments issued by the Company, including material assistance in particular providing loans, gifts or grants, or the assets of the company as security, guarantee or warrantee as obligation for another person.

Ninth: Shareholders' equity regarding the increase of the company's capital:

The shareholder may sell the right of priority to another shareholder or to others in return for a financial consideration, in accordance with the decision of the Board of Directors of the Authority organizing the conditions and procedures for the sale of the right of priority. The cases of the entry of a strategic partner in the company, the conversion of cash debt into shares in the company, the ownership of shares of employees of the company under the system to motivate employees, integration of the application of the right of priority is excluded.

- (2) The new shares shall be distributed to the shareholders of the underwriters by the percentage of their shares, provided that they do not exceed what they have requested.

(3) The Company or any subsidiary thereof shall not provide material assistance to any shareholder to enable it to own any shares, bonds or instruments issued by the Company, including material assistance in particular

Providing loans, gifts or gifts, or the assets of the company as security, guarantee or guarantee of the obligations of another person.

**Tenth: Protection of shareholders' rights by regulating the control of companies and organizing the right of shareholders to request inspection of the company:**

Did you know that the shareholder may request an inspection of the company in which he contributes under certain conditions?

(1) Primarily, the Ministry of Economy, the Authority and the competent authority, each in his field, have the right to control the shareholding companies, inspect their works and books, or any papers or records at the branches of the companies, their subsidiaries, inside and outside the country, or with its auditor or other company related to the inspected company, and may consult, with the inspection committee, with one or more experts with technical and financial expertise in the subject of the inspection to verify that they have implemented the provisions of this law and the decisions issued in implementation thereof and the company's articles of association. Executives or directors of the company or its auditors. Each Ministry or Authority or the competent body as the case requires, may request the dissolution of the company if it was established and began its activities in violation of the provisions of this law.

2) On the other hand, shareholders holding at least (10%) of the company's capital may request the Ministry or the Authority, as the case may be, to inspect the company in relation to the members of the Board of Directors or the auditors of serious violations in the performance of their duties under the provisions of the law Or the Articles of Association of the Company, whenever any of the reasons for such violations are found, and the request for inspection must include the evidence that the serious reasons for such action are justified.

Shareholders submitting the application must deposit the shares they own, which shall remain in deposit until their application is settled.



And the Ministry or the Authority as the case may be, after hearing the statements of the applicants and the members of the Board of Directors or its representatives and the auditors in a confidential session, shall order the inspection of the company's business and its books or any papers or records of another company related to the inspected company or its auditor, and may assign one or more experts for this purpose, at the expense of the inspection applicants.

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3) Upon completion of the inspection, the inspectors shall submit a final report to the Minister for private joint stock companies and the Chairman of the Board of Directors of the Authority for public shareholding companies. If the Ministry or the Authority finds, as the case may be, violations that constitute a criminal offense against the members of the Board of Directors or the auditors, the General Assembly shall be invited and the meeting shall be chaired by a representative of the rank of Executive Director or his representative in charge of the Ministry or the Authority, to consider the dismissal of members of the Board of Directors and bring the claim of responsibility to them. The resolution of the General Assembly shall be valid when it is approved by the present majority after excluding the share of those considering the dismissal of the members of the Board and in the case of a member of the Board of Directors representing a legal person that excludes the share of that legal person.

Eleven: The necessary controls to ensure that shareholders exercise their rights:

The Articles of Association of the Company and its by-laws shall include the procedures and controls necessary to ensure that all shareholders exercise their rights, including:

1) Provide all information enabling shareholders to exercise their rights to the fullest extent without discrimination, including their knowledge of the rules governing the meetings of the assembly and voting procedures therein, so that such information is adequate, accurate and provided regularly updated and on time, including any information

related to the company's plans prior to voting at meetings or any other information.

- 2) All shareholders have the opportunity to actively participate in the deliberations of the General Assembly and vote on its resolutions. The shareholders have the right to discuss the issues on the agenda of the meeting and to ask questions thereon to the members of the Board of Directors and the auditor, and the Board of Directors or the auditor shall answer the questions to the extent that does not expose the interests of the company to danger.
- 3) Avoid any restrictions that may prevent the use of the right to vote, and the shareholder's exercise of voting rights should be facilitated.

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- (4) Prevent any restrictions on the freedom of trading on a company's shares in the market.
- 5) Appointing a qualified official who is competent in all the functions related to investor relations management and possess required conditions for filling this position, and establishing a special page for investor relations on the company website so that it is updated and maintained in accordance with international standards, including: data and means of

communications in investors relationship department, such as dedicated phone number and e-mail, to provide all reports on financial results, whether recorded or published, and fiscal year data, including the dates of publication of financial results data, minutes of meetings of general assemblies, and any other important events, with obligation to publish information and data that is disclosed to regulators, markets or the public on its website, for example:

- 1- News and activities of the company and its developments and core events.
- 2- Annual and interim financial statements and Board of Directors' reports for several years.
- 3- Governance reports.
- 4- Ownership structure and ownership ratios.
- 5- General information is constantly updated on the official website of the company, about its business strategy, vision and future plans.
- 6- Information on the share price of the company in terms of: closing price - opening price – higher and the lowest price during the year - different stock values and some financial indicators.
- 7- The possibility of inquiring about the profits not received by the shareholders and the mechanism of shareholders receipt of their profits.
- 8- Contact details of the Investor Relations Officer and feedback mechanism and inquiries.

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- 6) Formation of a committee composed of senior employees in the company, in the event it is meeting its obligations to develop a plan to communicate with investors and the media, about the practical steps taken by the company to address the crisis, and designate a spokesman for the company to take over the communication process mentioned.

- 7) Publish initial presentations that illustrate the financial position, strategies and future prospects of the company at least once a year, taking into account the update of these presentations after each announcement of the financial results (quarterly, semi-annually).
- 8) Establish the necessary procedures for the provision of all data and information to the Investor Relations Officer, including the decisions of the Board of Directors as soon as they are issued, and the periodic and annual financial statements when adopted by the Board, to enable the Investor Relations Officer to carry out his functions specified in this Article.
- 9) The Board of Directors shall make available the annual corporate governance report to all shareholders prior to submitting an application to the Authority for approval of the General Assembly meeting.

## **SECOND AXIS RIGHTS OF OTHER CATEGORIES OF INVESTORS**

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#### **Rights of Other Categories Of Investors**

After we have touched on shareholders' rights in respect of listed companies, and because Securities and Commodities Authority protection umbrella extends to all investors, whether they are shareholders of listed companies or other categories of investors such as bondholders, Sukuk

holders, investment unit owners or other financial instrument owners, which the Authority accepts to deal with.

These rights may also be contained in the agreement establishing the paper, prospectus or document. When the Authority issues a special system regulating a specified security signifying rights of owners of such securities, and the system might directly recognize these rights, and may be left to the agreement governing the issue of the paper such as a document to put investment units or deposit certificates. , such as the debt securities system, Sukuk system, investment funds system, covered funds system, the system of offering and issuing shares of public shareholding companies in relation to priority rights as a financial derivative in which investment may be made. These rights may also be contained in the agreement establishing the paper, prospectus or document. When the Authority issues a system for the regulation of a specific security in which the rights of those who own such securities are determined, the system may be approved

These rights may be left directly to the agreement governing the issue of the paper, such as a document offering investment units or certificates of deposit.

We present a brief idea of the rights of investors in the most important securities issued and traded- Non-shares - bonds, instruments and investment units are as follows:

**First: Rights of bondholders:**

The Commercial Companies Law has issued general provisions for the issuance of debt securities by the Joint Stock Company, setting out the general framework for regulating the issuing of bonds by the Company, and authorizing the Authority to issue a legal system that includes the detailed provisions of the debt securities: 1) Issuing, offering and listing:

1. The Company may issue negotiable bonds, whether or not convertible into shares in the Company with equal values for each issue.
2. The bonds may not be converted into shares unless stated in the prospectus. If the transfer is decided, the owner of the bond alone has the right to accept the transfer or receive the nominal value of the bond. The owner of the bond is the one who has the option to transfer

or receive the value of the bond, and the company may not force him to either of the alternatives.

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(1) The system defined the debt securities as: Equivalent value and negotiable financial instruments that prove or create indebtedness in the issuer whether covered or not covered.

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3. Bonds issued on the occasion of a single loan shall give their owners equal rights.

4. The company may not provide or delay the date of payment of the bonds unless the issuance of the bonds and the prospectus gives notice. However, bondholders may request the performance of the value of their bonds before their maturity date, if the company is dissolved for a reason different from merger, and the company may offer them this with their consent, so If either of the two cases is met, interest will be deducted from the remaining period of the loan.

5) The rights of bond holders issued by the Company and not offered for public subscription shall be determined at the Convention establishing such bonds, and also includes the necessary procedures for Bondholders to hold meetings and appointment any committees, voting rights and all other matters and the terms of their conversion to shares in the Company if they are convertible.

On the other hand, the Securities and Commodities Authority (SCA) organized all issues related to the issuance, offering and listing of debt securities by its Board of Directors Resolution No. 17 of 2014, whether these bonds were issued by joint stock companies or issued by others.

The system of debt securities issued by the Authority includes rights to debt bond holders and mechanisms to protect these rights, including:

1- It is not permissible to offer and issue bonds in public subscription except after the approval of the Authority, and they must be included in the market; so that they are subject to the controls and supervision of the market in circulation and follow up the disclosures related to them, ensuring the sound dealings with it.

- 2- The issuance of debt securities should not conflict with the constituent documents of the issuer, and shall not contain any restrictions that prevent it from carrying out the obligations and provisions relating to the issue and listing of debt securities.
  - 3- With respect to primary listing of debt securities issued by joint stock companies (1),
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(1) The primary listing is the inclusion of debt securities on the market for the first time in each issue.

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The Issuer must have been established in the State outside a Free Financial Area, so that the Issuer is subject to the Authority's jurisdiction.

4. If the debt securities to be included in the market are covered by debt securities, a custodian must be appointed to protect the interests of the bondholders. The trustee shall have access to any asset information or data and a payment agent must be appointed in the State to pay the proceeds and redeem the bonds, payment agent may act as representative for bondholders.
5. If the issuer of the bond is a joint stock company, an agreement shall be signed with an independent representative to represent and protect the rights and interests of holders of debt securities, including the right of the representative of the bondholders to obtain any information relating to such bonds, and the trustee in the covered bonds may be the representative of the bondholders.

- 6- The Authority shall approve the joint listing of debt securities issued by a foreign source or founder in a financial free zone after fulfilling the data and documents specified by the system (1).

The foreign issuer or founder of a financial free zone is bound by the continuous disclosures set by the system in articles 18, 19 and 20 of the debt securities system, to ensure transparency and protect the investor in the local market.



- 7- For the purpose of protecting the investors and maintain market good working order, the Authority may request the issuer who has listed debt securities in the market to publish the information it deems appropriate at its expense. If it does not commit to publishing such information, it may publish the relevant information after giving it an opportunity to clarify the reasons for not publishing.
- 8- The Authority's approval must be obtained for the publication of any document or declaration within the State or on behalf of the Issuer, intended to announce the acceptance of the inclusion of any debt securities, and this document or declaration must contain a clear statement that the Authority has agreed to publish it, so that investors are not fooled by mislead advertisements or false statements, stressing that the Authority is not responsible for the accuracy of the data it has agreed to publish, however, the review of the Authority carries a degree of seriousness and determine the responsibility of the site if it turns out to be incorrect.
- 9) The issuer's legislation required a set of disclosures, particularly with respect to the prospectus, the issuer's audited financial reports, and continuous disclosures of an undisclosed event, developments or information that would have a material impact on the price or volume of debt securities or transactions on the market or On the ability of the issuer to meet its obligations and other important issues mentioned in articles 18 and 19 of the debt securities system; for the flow of information to the Commission, the market and the bondholders and those who wish to invest in them so as to base their investment decision on a sound and just basis.
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(1) Joint listing means the inclusion of debt securities in more than one market, in which the foreign market or the FZE market is the primary market.

**Second: The rights of the Sukuk holders:**

The Commercial Companies Law set out general provisions for issuing a shareholding company similar to those governing debt securities. However, it allowed the Authority to issue a resolution regulating the Sukuk and the rights of Sukuk holders (1), which allowed the regulator to differentiate between debt securities and instruments according to their respective legal and structural formation for each of them.

The Sukuk Regulations issued by the Board of Directors of the Securities and Commodities Authority (SCA) by Resolution No. 16/2014 included other rights regarding the issuance and subscription of Sukuk in a public offering and its listing in the market, for example:

1- It is not permissible to issue retail Sukuk in the State except through public subscription (2), and has to be listed in the market.

This provision protects investors who deal with retail Sukuk subscribed in a public offering, to be subjected to the controls and surveillance of the market in trading and following up the disclosures related thereto, and ensure proper handling thereof.

In the wholesale Sukuk, each deed or instrument, is worth at least AED 500,000 or equivalent in any foreign currency, and are not offered to the public in a public offering. They are sold only by a special offer to senior investors who are less in need of protection. They are professional investors capable of preserving their rights.

2) Party committed to Offering must obtain the approval of the Authority before issuing or listing any Sukuk in the market, which is a guarantee of value to investors to protect their rights by dealing with instruments approved by a regulatory body to be listed in the market. This means that the Commission will investigate many aspects that may be hidden to small investors, and preserve them their rights guaranteed to them by Sukuk.

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(1) (Sukuk )is a exchangeable financial instrument of equal value representing shares in the ownership of an asset or a group of assets issued in accordance with religious law, and if the bond is a debt instrument that evidences indebtedness to its holder before the company and entails an obligation to repay its value and interest on time, the deed (Suk) represents a share in the ownership of an asset or group of assets. It is, however, a reference to the financing relationship and the provision of

credit to the company, but it is concerned with an asset and is established as a related property right, and the right of the holder to obtain its value and return on time, to obtain its value from the sale or benefit of its asset, which makes it compatible with provision of Islamic law according to the views of scholars.

- ( 2)Retail instruments (Sukuk) are instruments in which the value of an instrument does not exceed AED 100,000 and is offered for public offering.

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3. For the Authority to approve the issuance and listing of retail instruments in the market, the constituent documents of the obligor shall not contain any restrictions that prevent it from acting as obligor in the issuance and listing of instruments. And that the obligor has been established in the State other than the free financial zones, so that it is subject to the Authority's jurisdiction.
4. The obligor must enter into a trust agreement containing confirmation of the right of the custodian to obtain any information relating to such instruments and his obligations to protect the rights and interests of the bondholders.
5. The obligor must appoint one of the licensed banks to operate within the State to act as a payment agent in the State until the redemption of the instruments.
6. In order to protect the investors and maintain the proper functioning of the market, the legislator has authorized the Authority to request the obligor who has listed the Sukuk in the market to publish the information it deems appropriate at his own expense, and if he does not commit to publishing that information, he may publish the related information, after giving him the chance to clarify the reasons for non-publication.
7. The Authority's approval shall be obtained for the publication of any document or advertisement within the State, in the name of the obligor, issuer or on his behalf, with the aim of declaring the acceptance of the inclusion of any instruments. Such document or declaration shall contain a clear statement that the Authority has agreed to publish it, so that Investors will not fall prey to false delusion advertisements or correct data, stressing that the Authority is not responsible for the

accuracy of the data it has agreed to publish. However, its review carries some seriousness and determines the liability of the site if it is found to be incorrect.

8. The legislator required a set of disclosures from the obligor, especially with respect to the prospectus, the audited financial statements of the obligor, and the continuous disclosures of an event, developments or undisclosed developments or information that would have a material impact on the price or volume of the Sukuk or transactions on the market, or the ability of the obligor or issuer to fulfill their obligations, and other important issues set forth in articles 17 and 18 of the Sukuk system; for transparency and the smooth flow and drift of information at the Authority, the market and the Sukuk holders and those wishing to invest in it so as to properly establish its investment decision on a sound and fair grounds.

**Third: The Rights of Owners of Investment Fund Units:**

Investment funds represent a significant part of the financial markets in the world, and may be account for the largest share of investment funds in some countries. The UAE legislator has been interested in this field, and the investment fund system was one of the most modified and changed systems to follow and keep up with global practices, and it has included more flexible legislative and diversity in the structure of investment funds, transparency and disclosure to ensure investors in the units of investment funds sufficient information and protects the rights to deal.

Since the Authority is the regulating, licensing or approving body on the establishment of investment funds, it is concerned with protecting the rights of its clients, even if they are not listed on the stock market. The system included provisions for the establishment and management of investment funds and the provision of services to them, and the functions of custodian, to control the system of this important type of investment and protect investors in the units of investment funds.

For foreign investment funds, the legislator prohibited the promotion of any foreign fund within the State until it had registered with the Authority, and contracted with a licensed local promoter in the State.

The Authority is also keen to protect the rights of investors in the public investment fund, in both its kinds open and closed, as directed to the public to subscribe to its units. That is why, the legislator was interested in the open public fund, which is an unlisted fund and the closed public investment fund, which is a fund that has to be listed in the market, and we illustrate this as follows:

**(A) For an open public investment fund, which is not listed on the market:**

The Investment Funds Regulations required the management company or the founders of the public open investment fund to prepare a summary of the documents of the IPO document in Arabic and in a simplified manner on the form prepared for this by the Authority, provided it includes as a minimum the following information:

1. Information and data relating to the Investment Fund, indicating type of its management, the categories of units and the mechanism for their recovery, and the authorizing party.

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- 2- Summary of the objectives of the Investment Fund and its investment policy.
- 3- Fees and expenses to be borne by the unit holders, methods of calculating and types of fees of the management company and how to pay them.
- 4- Activities to be outsourced to others.
- 5- Statement of profits and risks that may be exposed to the investment fund.
- 6- Information on the core fund and its sub-funds, and how to shift from Sub-box for another.
- 7- Information on the feeder fund and the main fund.
- 8- Indicate whether IFAD's investments are limited to other funds.
- 9- Indicate whether all investments of the Investment Fund are structured or guaranteed.
- 10- The mechanism of obtaining any information related to the investment fund.

The management company or fund founders must provide a summary of the offering document to the owners' units in electronic or printed form, on continuous basis or on demand, and without any charge, with its continuous updating to include the Fund's historical and potential performance.

In the area of disclosure and provision of information, the legislator required the management company or the board of directors to:

1. Take care to provide adequate and accurate information to current unit holders and prospective investors to make their investment decisions.

2. Immediate and periodic disclosure regarding the listed investment funds of the Authority and the market and the owners of the units for all data and information or any material events that have affected or that affect the investment fund in accordance with the means stipulated in the Offering Document.
3. Disclosure of any action or conduct that would create a conflict of interests' situation, investing in the funds and how to deal with it, and avoiding any work resulting in an increase are not necessary in the costs or risks to which the Fund is exposed and to protect the interests of the Fund in any conduct or action.

4 - Keep documents, papers, records, accounting books related to the fund work, for a period of not less than (10) years, with backup copies for the same duration, and prevent its exposure to any cause of damage.

(B) For the closed public investment fund, which is a listed fund:

The investment fund system included some special provisions of the closed public investment fund:

1. The units of the closed public investment fund shall be listed and traded in the market.
2. Units of the closed public investment fund may only be redeemed according to the due date in the Offering Document or at the end of the Fund.
3. The borrowing rate of the Fund shall not exceed 30% of the net value of its assets, and cash loan shall not be permitted, and owning the debt tools is not considered lending.

As this fund is listed on the stock market and its units are traded in the market, the legislator required the management company or the board of directors of the fund to invest the fund's monies in accordance with its investment nature and within the scope of investments specified in the system, leaving it to the management of the Fund to ensure the preservation of the investors funds in these units listed in the stock market, whose owners seek greater control of the Authority and the market.

The system stipulated a special ratio for the amendment of the investment policy of this fund, which is the approval of at least of (75%) of the owners of the units.





**THIRD AXIS  
DISCLOSURES AND FLOW OF INFORMATION  
ARE THE RIGHT OF THE INVESTOR**

**Disclosures and Flow of Information are the right of the Investor:**

The investor's right to acquire and benefit from the profits of his shares or securities is not limited to the previous statement, but extends to his right to trade in the sale and purchase in the stock market.

It is known that information is fuel for markets, there is no true investment without sufficient information. This rule is necessary in the field of investment in securities markets, for the goods sold and bought are only securities representing shares of ownership or proving indebtedness, or is derived from them, and therefore, the sufficient information about the financial position of the issuer of the security and the equal knowledge of all the fundamental events surrounding it is very important in the movement of stock markets.

The role of the supervisory bodies on securities markets is to ensure through their legislation and control, the equal drift and flow of information for all, without exception, unless they are in the process of confidentiality.

That's why, the UAE legislator has regulated the disclosure of the securities previous and subsequent to its listing in the market, periodic disclosure, disclosure of events and significant changes, and disclosure of ownership exceeding a certain percentage. The legislation criminalizes the circulation of insiders prior to disclosure, and criminalizes the leaking of this information to third parties before disclosure, as protection to the right of the investor in accurate information, obtained equally with everyone in the type and timing.

In the field of financial markets, the rule says: "Whoever knows first wins first, then the rest will be equals." The whole legislative and regulatory system related to transparency and disclosure aims to protect the right of the investor in the correct information on an equal footing with others, so what are the cases which necessitates disclosure?

## First: Disclosure prior to listing

1) When a public joint stock company submits a request to be listed on the market, a listing of data and information should be attached to the listing application that will reveal the true reality of the company so that the investors in the market will take stock of their shares on the basis of adequate information, and the company Board of Directors members shall be responsible for the complete and accurate information submitted for both Authority and the market, and these data are:

A) A report issued by the Board of Directors of the Company, including the following:

- A brief description of the establishment of the company and its purposes and its relationship with other companies whether mother company, subsidiary, affiliate company or associate.

According to Securities previously issued by the company with a statement of securities that the Company wishes to list.

- Evaluation of the board of directors supported by the figures for the performance of the company and its achievements, compared to the plan

Set.

- A statement of the important events that the company has experienced since its establishment until the date of submitting an applicationInsertion.

- Names of directors and executives with a statement of shares owned by each of them and their first-degree relatives, whether the shares are owned by the company applying for insertion, mother company, subsidiary, associate, affiliate or associate (if any) and the membership of any of them in the boards of directors of other public shareholding companies.

- Names of those who own or receive their contributions with their minor children (5%) and more from the shares of the company requesting insertion.

- Percentage of non-citizens' contribution to the company's shares.

B) A financial statement that includes the following:

- Report on the financial year prior to the date of submission of the application for listing, together with the report of each of the Board of Directors and the Auditor.

- Interim financial statements covering the period from the end of the fiscal year preceding the date of application submittal for insertion, until the end of the last quarter preceding the date of submitting the application, provided it is certified by the company's auditor.

(2) The Company, which the Authority agrees to include its securities in the market, shall publish in two daily Arabic language newspapers, the annual and interim financial statements and a summary of the report of the Board of Directors submitted for the purpose of listing.

**Second: Subsequent Disclosure of Listing:**

The post-listing stage is the continuous stage in the life of the company, at which stage the company or the entity whose securities are listed in the market may face significant events or changes that may affect the prices of these securities, for it is the most important in terms of the investor's rights and the immediate knowledge of the events of its core. That is why, the legislator stressed the investor's right to periodic knowledge of the financial reports of the company, and the immediate event knowledge, and organized several disclosures about them, some of which are:

1) Notify the Authority and the Market Administration of any significant developments affecting the prices of such securities, such as disasters, fires, mergers, new securities or the discontinuation of one of the production or voluntary liquidation lines, law suits filed by or against the company, affecting it's financial status, The Market Department shall have the right to publish any statement relating to such developments in the local press and the media, if it deems appropriate.

(2) Publish any explanatory information relating to the conditions of the company or entity whose securities have been listed in the market and its activities in a manner that ensures the soundness of dealing and reassuring the investors when requested to do so. If any change occurs in a material fact contained in a previously published press release, that entity or company should issue a press release reflecting the actual reality after the change, provided that the advertisement is subsequently published in the same newspaper or newspaper that included the previous advertisement.

- (3) Establishing a balance between the right of investors to information and the right of the company to secrecy of its contracts or transactions at a certain stage in order to safeguard the interests of its shareholders, the legislator permitted the entity or the company not to issue a press release about certain subjects that are still in the negotiations stage, if its senior management has reasonable grounds to believe that the disclosure of such data will cause serious damage to its interests and that none of its shares will be dealt with by its Board of Directors, Executives and First Class relatives on the basis of information not disclosed to the public, provided that the company will provide the market manager with such information and data, identifying the informed persons who have such information, asking him to consider it as confidential until the absence of reasons for that, and the market manager in coordination with the Authority, must respond to that claim or oblige the company to announce data and information if the market and the Authority estimate that disclosure of such data will not affect the interests of the company, or if he feels that there is a leak to the information and data relating thereto, which the company considers confidential.
- (4) In order to ensure the seriousness of the follow-up of the disclosures, the legislator ordered the market to follow up on the obligation of the listed companies to disclose and publish the important and financial information and the timing thereof and to verify its clarity and disclosure of the facts it expresses. The market shall, after taking the necessary measures, refer the violations of the listed companies to the Authority to take the right decision.  
The Board of Directors of the Market will undertake to issue the necessary press releases to ensure transparency in the market.
- (5) On the other hand, and in recognition of the importance of disclosing the decisions of the Board of Directors in matters that would affect the



price and movement of the share, and the control of these decisions in the bud to curb any transactions inside exploiters of this undisclosed information, The disclosure system forced the entities and companies whose securities have been listed on the market, to inform the Authority and the market of the date and time of meetings of the board of directors of the company, which will discuss topics affecting the price and movement of the stock in the stock market such as cash dividends, bonus shares, increase or decrease the company's share capital, the interim financial statements or the annual financial statements, at least two business days prior to the date of the meeting.

The Company is committed to providing the Authority and the Market immediately after the Board meeting, with the resolutions and the financial statements approved by the Board at this meeting regardless of whether the day following the meeting is a working day or an official holiday. If the time of the meeting coincides with the trading hours, trading on the shares of the company shall be suspended, until the Authority and the Market are provided with the resolutions and the financial statements presented at the meeting.

However, in recognition of legal considerations related to supervision of the Central Bank or the foreign regulatory body over the companies subject to each of them, the legislator excluded companies that require the approval of the Central Bank of the UAE or the regulatory body to which foreign companies are subject to the immediate obligation to provide the Authority and the market with the financial statements, provided that, it undertakes to disclose such data as soon as it receives approval.

6) The legislator also required the entities or companies whose securities have been listed on the market to notify the Authority and the market of a number of important issues including:

1. Details of the sale or purchase of some large assets that affect the Company's position.

2. The Board of Directors' resolution concerning the distribution of profits to shareholders or the announcement of profits and losses for the market's approval for publication.

- 3) The number of shares held by members of the Board of Directors of the Company during (15) fifteen days of holding position, as well as at the end of each financial year, and all trading operations carried out by the Board of Directors and its Executive Management.

4. Documents relating to amendments endorsed to the Articles of Association of the Company, once approved, and any changes related to the administrative structure of the Company at the level of the Board of Directors and the Executive Management.

5. Copy the publications dedicated to the shareholders of the company as soon as they are issued.

- (6) Stressing the right of shareholders to know the financial reports on equal footing with others, even if they are not fully audited, the legislator required the entities or companies whose securities were listed on the market to:

A. Notify the Authority and the Market with a summary of the final unaudited financial statements within forty-five days from the end of the financial year signed by the Board of Directors or by the person authorized to sign on its behalf.

**B- Notify the Authority and the Market of the following reports and disclose them before or after the trading hours:**

- Progressive financial reports (quarterly, semi-annual) reviewed during 45 days after the expiry of the specified period signed by the Board of Directors or by the person authorized to sign on his behalf.
- Annual audited financial statements within ninety days of the end of the fiscal year signed by the Board of Directors or the person authorized to sign on its behalf.

**Third Disclosure of natural or moral persons for their ownership in listed companies:**

The legislator has not only disclosed companies or entities whose securities were listed on the market, both before and after the disclosure. A significant part of the information affecting the price of the security may not be in the possession of the issuer in a timely manner, rather than in the possession of wealthy investors, so the legislator required those to disclose their ownership to protect transactions of small investors –who mostly need it- as follows:

- (1) Every natural person, his or her minor children or any legal person whose ownership, plus the ownership of the group associated with one of the following, gets as much is to notify the market immediately:(1):
  - Equivalent to (5%) or more of the shares of the listed company.
  - Equivalent to (10%) or more of the shares of a parent company or a subsidiary or associate company or an affiliate of the company listed on the market.
  - It also undertakes to disclose each (1%) change above the beginning of disclosure limits set out above.
  - It is noted here that the subsequent notification on the implementation of the operation in the market, that there is nothing to hinder the implementation of the procurement process.

2) Every natural person and his minor sons, or as moral person wishing to purchase a percentage of the company listed shares, leading to his owning with his linked group to 30% or more of that company shares, has to notify the Authority of that before submitting the purchase order for execution inside the hall, and the Authority may not approve the order if it deemed that the process jeopardized the market or the national economy, that is after consulting the market.

It is noted here that the notice war prior to the purchase, even executing the purchase, even goes beyond mere notification, for it is considered an approval request from the Authority to the execution of the purchasing process, to what can be considered prejudice to market interest or national economy.

1. A related group means a person who has an agreement or arrangement in order to own a controlling interest in a listed company and is included in the group associated with the natural person and his or her minor children and the legal person owned or controlled by another person within that group.
2. A subsidiary is a company owned by no less than half its capital by another company.
3. Affiliated company is the company that follows the same group followed by another company.
4. Associated company is the company linked with a cooperation and coordination contract with another company.

- 3) Each natural or moral person or group of related persons or bodies whose ownership percentage/percentages reached 50 or more of the capital of one of the public shareholding companies listed in the stock market, when he/they wish/wishes to increase his/their ownership, undertakes to submit an acquisition offer for all shareholders in that company according to terms, conditions and procedures defined by the Authority in that regard, and the companies have to take into consideration not to increase the mutual property between two independent public shareholding companies 10% of each other's capital, and the Authority sets the regulating limits for that.

In this case, we are under acquisition on a listed company, and considering small investors, the legislator, required the person whose ownership reached 50% of the company capital and wishes to increase it, to submit a compulsory acquisition offer for all shareholders, such offer shall be sent according to terms and procedures set by Authority in a way to protect the small investors, which is applicable to international practices.

**AXIS FOUR**  
**THE ROLE OF THE AUTHORITY IN**  
**PROTECTING THE RIGHT OF INVESTORS**

### **The Role of the Authority in Protection of Investors' Rights**

**The UAE has guaranteed special protection for the rights of investors in securities. The Securities Authority was entrusted with the bulk of this protection, which has been carrying out since its establishment, And we present the mechanisms for applying this protection and the establishment of the Authority as follows:**

First: Regulatory Authorities:

The legislator has set out the objectives of the Authority and its powers in Federal Law No. 4/2000. Its main objectives are to make available the opportunity to invest savings and money in securities and commodities in the interest of the national economy, ensure the integrity and accuracy of transactions and ensure the interaction of supply and demand factors, to determine prices and protect investors through fair dealing between different investors, developing investment awareness and working towards ensuring financial and economic stability in the country.

To realize its objectives or to comply with the said law, the Authority will issue the necessary legal regulations for market activities, including:

1. Proposing the special system related to its work, the system for licensing and controlling the market, and the special system for accepting the inclusion, cancellation or suspension of the listing of any securities or commodities from circulation in the market, provided that such regulations are issued by a decision of the Council of Ministers.
2. Set up regulations for market operation, market membership, trading, clearing, leveling, transfer of ownership and custody of securities, brokers, disclosure and transparency, and arbitration, in consultation and coordination with the licensed markets in the country.



The Commercial Companies Law has also granted the Authority the power to issue regulations relating to public shareholding companies, for example: Offer Systems and Public Offering, price structuring, corporate governance, acquisition, merger, entry of strategic partner reconciliation of crimes related to public shareholding companies, in addition to the regulation of investment funds.

The Authority has another role in crime control, suspicious operations and counter-terrorism within its jurisdiction, and assigned in law no. (4)/2002 on the Criminalization of Money Laundering and Federal Law No. (1)/2004 on Combating Terrorist Crimes of Regulatory Authorities within its regulatory and supervisory role, which is carried out by the Authority in the field of securities and commodities markets.

The regulatory role is not limited to the issuance of the legal regulations referred to, since the laws set out the general framework of the regulatory powers, and determine the competent authority in the organization in a certain field, and the regulatory authority, whether legal systems or regulations and general decisions, or even instructions and generalizations, As long as it does not violate the frameworks established by the legislator, and did not exceed the provisions of the law.

Second: Regulating the mechanism that ensures protection for investors rights.

The Authority has not stopped at issuing the regulations stipulated by law or the company commercial law, but issued lots of regulations and decisions necessary for practicing the activities of the securities market achieving its goals, and ensuring protection for its investors.

So if the regulations pertaining to governance, disclosures, transparency, brokerage companies, price construction, offering and public share holding companies shares, yet, such regulations might not cover all aspects of protection as meant by the legislator, and as revealed by fact, and as applicable with international standards, and the Authority has interacted with all these factors, and has been developing their systems and the market legislative and regulatory structure in line with best global practices, and issued special market maker regulations,

Borrowing, solvency standards, financial consultancy and financial analysis, margin trading, online trading, central clearing, safe custody of securities, interbank clearing rules, telephone registration controls, remote trading controls, foreign exchange controls, and instant disclosure. The decisions of the boards of directors of the listed companies, and the efficiency and suitability controls for the persons who manage the companies operating in the field of securities.

This package revolves around the legal systems and regulatory decisions in the scope of the Authority's objectives. It aims at providing the best protection for investors, rationalizing the investment decision of the investor, the flow of information equally in type and timing among all and protecting investors from deceit and rumors.

**The Securities and Commodities Authorities strategic objective is to achieve a modern market that aligns with the best stock markets in the world, while ensuring the best protection of shareholders' equity in listed companies and all investors. It seeks through its legislative and regulatory structure to reach this goal.**

To achieve this objective, the securities market legislation is based on the monopolistic regulation of financial services, ie, it is not permissible to practice financial services activities without a license from the regulatory body. The UAE legislation get along with this principle. The applicable regulations require that no activity in the securities field be carried out without License or accreditation from the Authority.

On the other hand, the Authority follows up on the compliance of all (markets, listed companies, financial services companies, market participants) with the applicable laws, regulations and decisions, and such follow up is carried out through disclosures previously mentioned, and through inspection and control, and we illustrate the same as follows:

**1) Financial Services License:**

We have stated that the legislation of advanced stock markets is based on the principle of monopolistic regulation of financial services, that is, financial services activities may not be practiced without a license from the regulatory body, issued after meeting certain requirements commensurate with the nature of each activity, specific controls to

prevent conflicts of interest, specific controls for financial solvency and risk reduction, which is a move to keep away securities from the random stock market, whether in listed securities, or financial service providers such as brokerage firms, financial advisors, financial analysis and investment management.

The UAE legislation followed this principle, and If Article 25 of the Authority's Law No. 4 /2000 stipulates that transactions in securities listed on the market should be restricted to authorized brokers, the regulations issued by the Authority to regulate the rest of the financial services require that no activity In the field of securities without a license or approval from the Authority. A few years after the creation of the Securities Authority, the legislative system has been completed or is nearing completion. There is no longer any room for offering a service in the stock market without a license or approval from the Authority. Activities in the securities field are no longer chaotic or random, This strict regulation, and the criminalization of the activity without a license from the Authority in accordance with Article 43 of the Law No. 4 of 2000 is the top protection for the rights of investors, the investor is no longer prey to members of companies that are not eligible or licensed to serve in the stock market to put their rights and interests at risk.

**FIT AND PROPER CRITERIA:**

In addition to the necessity of licensing all financial services, the Authority has taken a major step towards protecting this organization. After determining the exact requirements of the financial institutions' standards of solvency and risk reduction, and with the CEO' decision no. 34/2016, the Authority set the financial and activity regulation services , the most important of which are the standards of competence, solvency, financial competence, integrity and honesty and compliance.

Competency and convenience criteria are intended to determine the appropriateness and efficiency of the company - the license applicant and the licensee as the case may be - and the persons concerned as members of the Board of Directors of the Company and its partners, approved and non-accredited employees, in order to evaluate their records in accordance with the standards set out in these regulations.

A financial eligibility criterion is an important criterion for measuring integrity in financial transactions and is evaluated by ensuring that the company or any person concerned is not exposed to defaults on the basis of a clear assessment of the decision in a specific manner.

The efficiency criterion is measured by the degree of efficiency of the company and the persons concerned, and it is evaluated through a statement of the business requirements in the financial markets of the country, and the minimum conditions required for licensing the company and evaluating its technical and procedural systems, or those related to the persons concerned, such as their educational and professional qualifications, previous practical experience and acquired skills, based on the sources of evaluation, indicated by the decision in a specific manner.

The criterion of honesty and integrity is a personal standard that is related to the persons concerned, because it is related to behavioral and ethical aspects, and this criterion is assessed on the basis of the extent to which the ethics and conduct of the profession are respected and the duties and responsibilities are performed honestly, sincerely and genuinely, with the necessary professional care (with full concern), refraining from any act that conflicts with the interests of the company or customers or affects the operation and regularity of the market, or represents illegal or unacceptable acts in accordance with professional standards or instructions of the company, and maintain the confidentiality of information and data related to customers, functional tasks, Exercise authorized functions by combining them after obtaining the approval of the Authority, without conflict of interests and tasks.

The standard of compliance relates to the extent to which the company or persons concerned are complying with applicable legislation, and this standard is assessed on the basis of a clearer assessment of the decision in a specific manner.

**2) Inspection and Control:**

The first task of the Securities and Commodities Authorities Board of Directors is to ensure that the regulations in the law are applied, to receive communications and complaints related to market activity or intermediaries and to take appropriate decisions in accordance with applicable law and regulations.

In the framework of its supervisory role, the Authority shall have the right to inspect the joint stock companies listed on the market, on its own initiative or at the request of one or more shareholders, at least 10% of the capital, as stated above.

The Authority also conducts periodic and sudden inspections of the stock and commodity markets, as well as all licensed companies operating in the securities and commodities sector, such as brokerage firms, financial advisory services, safe custody of securities and investment management. The Authority may conduct a surprise inspection on its own initiative in accordance with its plan or on the basis of any disclosures, information or financial reports disclosed to it. It may be the result of receiving a complaint from a dealer or a notice from the other supervisory authorities, which the Authority has decided to achieve for inspection of the company.

In the two types of inspection, it is verified that these companies will continue to comply with the conditions on which the activity is authorized, such as maintaining the minimum capital, bank guarantee and the employees. The inspection extends to the financial and procedural aspects of these companies and their correctness and commitment to disclosures and controls of separation of accounts and financial solvency standards, etc.

In order to complete the monitoring and investigation requirements, the legislator has authorized the Board of Directors of the Authority to require any person related to securities activities - whether natural or moral - to make public or private disclosure, and to provide any data relevant to his activity. The Board may, in order to carry out its duties, order any investigation that it considers necessary to be carried out in accordance with the provisions of the law, regulations and decisions issued in implementation thereof. It is a power of practical interest in the control aspects and fulfillment of information and data necessary for the investigation or for the direct role of the supervisory body.

Any investor may lodge a complaint with the Authority against any moral or natural person, as long as the complaint concerns one of the matters related to the Authority's powers conferred upon it by the law, and this right does not require a special text. It is axiomatic, exercised by the regulatory body within the framework of its mandate. The Authority has organized the filing of a complaint in accordance with the CEO decision of No.45/(2016) regarding the system of handling complaints relating to transactions in financial markets the system of handling complaints concerning the transactions of financial markets. It also regulated the right of appeal against a decision issued against him for a complaint or violation as organized and regulated by the decision of the Executive Chairman of the Authority No. (46) for the year 2016 on the system of grievances of decisions related to the transactions of financial markets.

All these regulatory instruments have control over the market and protection of the rights of investors, and the minute the Authority finds out irregularities from licensed companies or its employees or listed companies, after investigation and proven violations, the Authority has the right to impose one or more administrative penalties of warning, and suspend the activity or cancel the license. The Authority may also refer the case to the competent Public Prosecution if there is a suspect of a crime, to impose punishment by imprisonment or fine.

