

Decision of the Chairman of the SCA Board of Directors No. (20 /R.M) of 2018

The Chairman of the Board of Directors of the Securities and Commodities Authority , having considered,

- The Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, and amendments thereof;
 - The Federal Decree No. (130) of 2017 concerning the Formation of the Council of Ministers of the United Arab Emirates;
 - The Cabinet Resolution No. (13) of 2000 concerning the Regulations as to the Functioning of the Securities and Commodities Authority, and amendments thereof;
 - The Cabinet Resolution No. (14&8) of 2017 concerning the Restructuring the Board of Directors of the Securities and Commodities Authority;
 - The SCA Board of Directors' Decision No. (2) of 2014 concerning the Regulations as to Covered Warrants, and amendments thereof;
 - The SCA Board of Directors' Decision No. (16) of 2014 concerning the Regulations as to Sukuk, and amendments thereof;
 - The SCA Board of Directors' Decision No. (17) of 2014 concerning the Regulations as to Debt Securities, and amendments thereof;
 - The SCA Board of Directors' Decision No. (32) of 2014 concerning the Regulations as to Deposit Certificates, and amendments thereof;
 - The Chairman of the Authority's Board of Directors Decision No. (9/R.M) of 2016 concerning the Regulations as to Mutual Funds, and amendments thereof;
 - The Chairman of the Authority's Board of Directors Decision No. (11/R.M) of 2016 concerning the Regulations as to Issuing and Offering Shares of Public Joint Stock Companies, and amendments thereof',
- and Based on the approval of the Board of Directors at its 2nd meeting of the Sixth Term held on 12/03/2018,
Has decided as follows:

Definitions

Article (1)

In the application of these Regulations, the following words and terms shall have the meanings assigned thereto herein unless the context indicates otherwise:

State: The United Arab Emirates

Law: The Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority, and Market and amendments thereof.

Authority: The Securities and Commodities Authority.

Board: The Board of Directors of the Authority.

Issuer: A public joint stock company or mutual funds incorporated in the UAE.
Foreign Issuer: A corporate person incorporated outside of the UAE and subject to a regulator similar to the Authority, and offers its securities within the UAE.
Islamic Securities: Securities compatible with the principles of Islamic Shariah and issued in accordance with the provisions of Federal Law No. (2) of 2015 concerning the Commercial Companies as amended, or securities issued by a Foreign Issuer in accordance with the laws of the country of issue.
Shariah Supervisory Committee: The Shariah Committee that monitors the Islamic Security appointed by the Issuer or the Foreign Issuer in accordance with the laws in force in its country of incorporation. Such Committee shall comprise at least three members.

Scope of Application

Article (2)

Subject to the provisions of the law, or the regulations or resolutions issued by the Authority concerning the issuing or offering of securities, the provisions of this Decision shall apply to the Issuer which issues, or wishes to offer or issue, an Islamic Security inside or outside the State, and to the Foreign Issuer that offers or wishes to offer an Islamic Security in the State.

Obligations relating to the Offering or Issuance of Islamic Securities

Article (3)

1. An Issuer wishing to offer or issue an Islamic Security inside or outside the State, as well as a Foreign Issuer wishing to offer an Islamic Security in the State, shall incorporate the following data and documents, as a minimum, in its offering document or prospectus:

1. The names, qualifications and expertise of the members of the Shariah Supervisory Committee.
2. Mechanism for organizing the membership and functions of the Shariah Supervisory Committee and remuneration of the members thereof.
3. All details of the Islamic Security and the Issuer, including the mechanism of structuring and issuing of the Islamic Security and the contracts and documents thereof, as well as methods of its evaluation and assets, and the risks of ownership of such assets to the holders of the Islamic Security.
4. Mechanism of re-allocation of the resources, and the methods of disposal thereof or the proceeds thereof if the Islamic Security or the Issuer ceases to be compatible with the principles of Islamic Shariah.
5. The Sharia controls governing the trading of the Islamic Security and the necessary action when violated.
6. Mechanism of addressing the cases of conflict of interests among the functions

assigned to the members of the Shariah Supervisory Committee and their personal interests, and how they are managed.

7. Methods of resolution of disputes relating to the Islamic Security or the Issuer.

8. Mechanisms of disclosure and how to apply them.

II. In addition to the provisions of Clause I above, the Foreign Issuer wishing to offer Islamic Securities within the State shall provide the Authority with the following:

1. A statement on any conflict between the laws applicable in the country of issue of the security and the laws applicable in the State, and any discrepancies in the Shariah principles in force between the two countries.

2. A statement on any differences in taxation of the issue of the Islamic Security.

3. A statement on any conflict between the International Financial Reporting Standards (IFRS) and the standards of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in case the Foreign Issuer pledges to abide by these standards pursuant to the laws of the country of issue.

Post-Offer /Issue Obligations

Article (4)

I. In addition to any other obligations contained in the laws or regulations, the Issuer and the Foreign Issuer shall disclose the following data to the Authority, the Market and investors:

1. Any amendment to the documents or data contained in the offering document or prospectus, and the approval thereof by the Shariah Supervisory Committee.

2. Any conflict of interests that may arise from the functions assigned to the members of the Shariah Supervisory Committee and their personal interests.

3. The Shariah opinion issued by the Shariah Supervisory Committee upon the offering or issuing of the Islamic Security approving its structure, all contracts and documents thereof, how such Shariah opinion was reached, the Shariah evidence in support thereof, documentation of the procedures of issue thereof, cases where the Islamic Security breaches the Shariah standards of the AAOIFI and the grounds of breach (if any), and whether the Shariah opinion was issued by the consensus of all or the majority of members of the Shariah Supervisory Committee, while stating the dissenting opinion and reasons thereof in case the opinion is issued by the majority of members.

4. An annual Shariah opinion from the Shariah Supervisory Committee on the Islamic Security, stating whether the Islamic Security, as well as all its operations and activities, and the calculation and distribution of dividends to its holders, are in compliance with the principles of Islamic Shariah or not and how far.

5. Any change that occurs to the continued compliance of the Islamic Security, or the Issuer, with the principles of Islamic Shariah, and reasons behind such change.

6. Any data, information, or material events that affected, or would affect, the

Islamic Security immediately or affect the Sharia controls of trading thereof.

7. Any deed or act that would create a case of conflict of interests between the work and tasks of the Shariah Supervisory Committee members and their personal interests.

II. The Issuer and the Foreign Issuer shall keep the documents and information related to the Shariah Supervisory Committee, in terms of its membership formation, procedures, and decisions for a period of not less than 10 years after the issue expiry date.

III. The provisions of this article shall apply to the Issuer and Foreign Issuer that already offered or issued Islamic Securities before this Decision enters into force.

Article (5)

The penalties set forth in the law, or the regulations, decisions, or circulars issued thereunder shall apply to any violation against the provisions of this Decision.

Article (6)

This Decision shall be published in the Official Gazette and shall come into effect 30 days after the date of its publication.

Eng. Sultan Bin Saeed al Mansoori

Chairman of the Board of Directors

Issued in Abu Dhabi on 23 / 5 / 2018
