

# **THE AUTHORITY'S BOARD OF DIRECTORS' DECISION NO. (3) OF 2000 CONCERNING THE REGULATIONS AS TO DISCLOSURE AND TRANSPARENCY**

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,

Council of Ministers' Resolution No. (193/18) of 2000 on 13/3/2000 concerning the Composition of the Board of Directors of the Securities and Commodities Authority,

After consultation and coordination with the parties concerned in the establishment of Markets in the State, and pursuant to the decision of the Authority's Board of Directors at its meeting convened on 29/10/2000,

Has decided to approve the following Regulation for disclosure and transparency:

## **Definitions Article (1) [1]**

The following words and expressions shall have the meanings assigned thereto hereunder, unless the context indicates otherwise:

**Law:** Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market.

**State:** The State of the United Arab Emirates.

**Authority:** The Securities and Commodities Authority.

**Board:** The board of directors of the Authority.

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

**Broker:**A corporate person licensed in accordance with the provisions of the Law to practice brokerage business in the Market.

**Broker's Representative:**A natural person appointed by a Broker to conduct on its behalf brokerage business in dealings relating to securities and commodities.

**Market Members:**Brokers operating in the Market, shareholding companies and other parties which securities are listed therein.

**Mother Company:**The company that establishes and oversees another company.

**Subsidiary Company:**The company which at least half of its capital owned by another company.

**Sister Company:**The company which is part of the same group as another company.

**Affiliate Company:**The company which is linked to another company by a contract of cooperation and coordination.

**Associated Group**<sup>[2]</sup>

## **Article (2)**

To ensure the integrity and accuracy of transactions and the interaction of the forces of supply and demand in order to ensure the natural formation of prices and the protection of investors by establishing the bases for sound and fair dealings, the following rules for disclosure and transparency shall be observed.

### **First: General Provisions**

#### **Article (3) [7]**

If the ownership of a natural person whether alone or with his minor children, or if the ownership of a corporate person added to it the ownership of an Associated Group reaches any of the following percentages, then each such person shall immediately notify the Market:

- 1.A percentage of (5%) or more of the shares of a company listed on the Market.
- 2.A percentage of (10%) or more of the shares of a Mother Company, Subsidiary Company, Sister Company or Affiliate Company of a company listed on the Market.

Moreover, such natural person or corporate person shall disclose each (1%) change above the disclosure requirements set forth above.

#### **Article (4) [8] [9]**

No company, other than a public shareholding company, may offer any securities in a public offer. In all cases, no company, entity, natural person or corporate person established or registered in the State, the free zones or outside the State may publish any advertisements in the State which include a call for a public

offer in securities prior to obtaining the approval of the Authority in accordance with the controls and conditions set forth by the Authority in this regard.

## **Article (5) [10] [11]**

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[12]

2.Companies shall make sure that mutual ownership between two independent public shareholding companies may not exceed (10%) of their respective capitals. The Authority shall set the governing controls for this purpose.

## **Article (6) [13]**

When a natural person alone or with his minor children or a corporate person intends to buy a proportion of the shares of a listed company that would result in owning together with its Associated Group (30%) or more of the shares of that company, then such natural or corporate person shall notify the Authority thereof before submitting the purchase order for execution in the Market; and the Authority may reject the order if the Authority, after consultation with the relevant Market, believes that the transaction will be detrimental to the interests of that Market or the national economy.

## **Article (7)**

A bank or financial institution carrying on banking business must obtain the approval of the Central Bank of the United Arab Emirates before entering into any transaction leading to it acquiring 5% or more of the shares of any company listed on the Market.

## **Second: Disclosure relating to the Authority**

## **Article (8)**

The Authority shall ensure that disclosure and transparency are observed and shall regulate them in the manner prescribed in the Law as well as the regulations and the resolutions issued in implementation thereof.

## **Article (9)**

The Board may conduct an inspection of Market Members periodically or upon request by a concerned party, in order to ascertain the extent of compliance with the Law, and the rules and regulations in implementation thereof, in accordance with the regulation which the Authority sets in this regard. The inspection shall be conducted in coordination with the management of the Market in cases where required.

## **Article (10)**

The Authority is prohibited from practicing commercial activities, having special interest in any project, or owning or issuing any securities.

## **Article (11) [14]**

Each member of the Board shall:

- 1.Upon assuming his duties, make a declaration in writing to the Authority as to the securities owned by him, or his spouse and his minor children, as well as any holdings held for him and his spouse and minor children in any Broker. He shall also make a declaration in writing as to any change occurring therein within a maximum of one week from the date he becomes aware of such change.
- 2.Keep the confidentiality of all information and data that have been reviewed by them, or which they became aware of as a result of their Board membership, so long as the information cannot be published.
- 3.Not release, publish, disclose, reveal, or transfer any information or data relating to the Authority, which was reviewed by them or of which they became aware of as a result of their Board membership, to any person or any other entity without obtaining the Board's prior approval.
- 4.Not retain any document or confidential papers relating to the work of the Authority without obtaining the approval of the Board.

## **Article (12)**

A member's appointment to the Board shall be terminated if he is convicted of an offence or a crime involving dishonesty or breach of trust or is declared

bankrupt.

## **Article (13)**

The Board may decide, by a majority of its present members, to temporarily suspend trading in the Market or in the securities of any company or trading in any securities upon the occurrence of exceptional circumstances or circumstances that threaten the proper and regular functioning of that Market. The Board may also decide, by the same majority, to freeze, suspend or bring back into force any by-law or regulation relating to the Market or any of its operations.

## **Article (14) [15]**

The Board or chief executive officer may suspend the listing of any securities on the Market in many cases, including:

1. If the issuing entity or company of the listed securities fails to satisfy any of the listing conditions.
2. If the net shareholders' equity in a company falls below (50%) of its capital.
3. If the market value of the listed securities falls below (60%) of their nominal value or if such value suddenly rises.
4. If a resolution is passed by an extraordinary general assembly of the company to reduce its capital.
5. If a company fails to issue annual, semi-annual or quarterly reports on its activities.
6. If the extraordinary general assembly of a company passes a resolution to sell the greater part of that company's assets.

## **Article (15)**

The Authority may de-list any security from trading on the Market in any of the following cases:

1. If a resolution is passed to dissolve and liquidate the company.
2. If the listing of the securities remains suspended for a period of six months or more.
3. If any material change in the main activity of the company occurs.
4. If the company discontinues its activities.
5. If a company is merged with another company or other companies by way of a merger which results in the termination of the corporate personality of the company.

## **Article (16)**

The Board may compel any natural or corporate person related to securities activities to make public or private disclosure and to submit any statements related to its activity. In order to fulfill its duties, the Board may also order to conduct any investigation it deems necessary for the implementation of the provisions of the Law, regulations and resolutions issued in implementation thereof.

## **Third: Disclosure relating to the Markets**

### **Article (17) [16]**

- 1-The Market shall monitor the listed companies' compliance to disclose significant matters and information and financial statements, the publication of the same, and the timing of such publication, and shall ascertain that the same are clear and reveal the facts which they express.
- 2-After taking the necessary actions, the Market shall refer any violations of listed companies to the Authority to decide in such violations.

## **Article (18)**

The board of directors of the Market shall issue the necessary press releases required to ensure transparency of information and disclosure.

## **Article (19) [17]**

The Market shall disclose to the Authority and investors of all cases referred to in Articles (3), (4), (5) and (6) of this Regulation.

## **Article (20)**

All information occurring on listed securities on the Market shall be registered in its records. If any transaction on securities is not registered in accordance with the provisions of the Law, regulations and the resolutions issued in implementation thereof, then such transaction shall be considered void.

## **Article (21)**

Markets shall be reciprocally linked with one another electronically at State level.

## **Article (22)**

The membership of the Market's board of directors shall not be held by a member of the board of directors of a public shareholding company, a financial

## **Article (23)**

The Member of the board of directors of the Market, its general director and deputy general director and each member of the Market shall, upon assuming his duties, make a declaration in writing to the Authority as to the securities owned by him, or his spouse and his minor children, as well as any holdings held for him and his spouse and his minor children in any Broker. He shall also make a declaration in writing as to any change occurring therein within a maximum of one week from the date he becomes aware of the change.

## **Article (24)**

Membership of the board of directors of the Market shall be terminated if the member is convicted of an offence or a crime involving dishonesty or breach of trust, or if declared bankrupt.

## **Article (25) [18]**

The Market shall provide the Board with its balance sheet, profit and loss account and the annual financial statements audited by an accredited auditor, within ninety days from the end of its financial year.

## **Article (26)**

The Market shall provide the Authority with the following periodic reports on trading in the securities listed thereon:

1. A daily report on trading, including a statement of the types of traded securities, the price of each, the quantity of traded securities and the total number of transactions on that day.
2. A semi-month report and a monthly report on trading, including a statement of the volume of traded securities, the gross value thereof, the number of transactions and the last closing price.
3. An annual report on trading, including a statement of the quantity of traded securities, their value, the number of transactions compared with the previous year, the distribution of trading movement amongst the various sectors of activity, the most significant events occurring in the year, the extent of their impact on the Market, and the proposals of the board of directors of the Market as to remedying the negative effects of such events.
4. A report on the number of shares owned by the members of the board of

directors of the company within 15 fifteen days from the date they take up membership and at the end of each financial year, and also in respect of all trades undertaken by the members of the board of directors and its executive management.

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## **Article (27)**

The Market shall prepare a daily price bulletin on trading that includes the following information:

1. The types of traded securities.
2. The quoted prices at which transactions were completed.
3. The closing price of each security in addition to stating the prices for sale and purchase offers even if there were no transactions.
4. A comparison of the day's closing prices with the last preceding closing prices.

## **Fourth: Disclosure of Entities and Companies whose Securities are Listed on the Market and their Management**

### **A)Pre-listing Disclosure**

#### **Article (28)**

No securities may be listed on the Market without the prior approval of the Authority, and no listed securities may be traded unless that was through a Broker registered in the Markets.

#### **Article (29)**

The following statements and information shall be attached to the listing application, which are required to disclose the true position of the company:

(A) A report from the company's board of directors that includes the following:

1. A brief description of the company's establishment, its objects and its relationships with other companies, whether its Mother Company, Subsidiary Companies, Sister Companies or Affiliate Companies (if any).
2. A description of the securities previously issued by the company, with a statement describing the securities the company wishes to list.
3. The board of directors' assessment, supported by financial figures of the company's performance and achievements compared with the plan made.
4. A statement of the significant events that the company has experienced from

its establishment to the date of submitting the listing application.

5. The names of the members of the board of directors and the executive managers, with a statement of the shares owned by each of them and their relatives to the first degree, whether the shares are owned in the company which applies for listing or in the Mother, Subsidiary, Sister or Affiliate Company (if any), and the membership of any of them on the boards of directors of other public shareholding companies.
6. The names of those who own, or whose holdings with their minor children amount to (5%) or more of the shares of the company which applies for listing.
7. The percentage of the holdings in the company's capital of persons who are not nationals of the State.

(B) A financial statement includes the following:

1. A report for the financial year preceding the date of submitting the listing application, supported by reports from the board of directors as well as the company's auditor.
2. Interim financial statements covering the period from the end of the financial year preceding the date of submission of the listing application to the end of the last quarter preceding the date of submission of such application, such statements shall be certified by the company's auditor.

## **Article (30)**

The members of the board of directors of any listed company or any company which applies to be listed shall be responsible for the completeness and accuracy of all information submitted to each of the Authority and the Market. The awareness of the Authority or the Market of such information, or recognizing such information in their publication, shall not be taken as a declaration by either of them as to the accuracy of the contents thereof or as a declaration by either of them as to the validity of any action taken by any person on the basis of such information.

## **Article (31) [20]**

The company which securities are approved for listing on the Market by the Authority shall, ten days prior to the date of its listing on that Market, publish in two daily newspapers of wide circulation published in the Arabic language in the State, its annual and interim financial statements and a summary of the board of directors' report submitted for the purposes of listing.

## **B) Post-listing Disclosure**

## **Article (32)**

The company which listed securities have been traded shall not change the ownership of such securities in the company's register of shareholders unless the Market management has approved the transaction, or it has been conducted in accordance with the provisions of the Law, by-laws and regulations issued in implementation thereof.

## **Article (33)**

The company or the party, whose securities have been listed on the Market, shall notify the Authority and the Market management of any material information. The Market's board of directors shall have the right to publish any statement in respect of such material information in the local newspapers and other media as it deems appropriate.<sup>[21]</sup>

## **Article (34)**

The company or the party, whose securities have been listed on the Market, shall, when so requested, publish any explanatory information relating to its circumstances and activities so as to secure the integrity of transactions and the confidence of investors. If any change occurs in material information that have previously been published in a newspaper announcement, that party or company shall issue a newspaper announcement reflecting the actual situation after that change. Such subsequent newspaper announcement shall be issued in the same newspaper or newspapers that published the previous announcement.<sup>[22]</sup>

## **Article (35) [23]**

The party or the company may not issue a newspaper announcement regarding specific data or matters which are under negotiation, if its senior management has reasonable grounds to believe that disclosing such information will seriously damage its interests and there has not been, and there will not be, any dealing in its shares by members of its board of directors and executive managers and their relatives to the first degree on the basis of such information not disclosed to the public, provided that the company provides the director of the Market with such information and data specifying the persons aware of such information, and requesting him to treat such information as confidential until the grounds which gave rise to non-publication in accordance with this Article no longer exist. The director of that Market may, in coordination with the Authority, comply with such request or compel the company to announce the information and data if the Market and the Authority consider that the publication of such information will not affect the interests of that company or have reasons to believe that there is a release of the information and data which was deemed confidential by the company.

## **Article (36)**

Parties and companies which securities are listed on the Market shall notify the Authority and the Market of - and provide them with the following:

1. All data and statistics as requested by the Authority or the Market.
2. Transactions in such securities outside the Market, prior to recording them in the register of shares.
3. The number of shares owned by members of the company's board of directors, within fifteen (15) days from the date of their appointment and also at the end of each financial year, and all trades carried out by members of the company's board of directors and its executive management.
4. Details of the sale or purchase of major assets which affect the position of the company.
5. The documents relating to amendments of the company's articles of association, as soon as approved.
6. Any change relating to the company's management structure at the level of the board of directors and the executive management.
7.
  - a)Parties and companies which securities are listed on the Market shall notify and provide both the Authority and the Market with a summary of final accounts (preliminary financial statements which are unaudited and un-reviewed) within forty-five days from the end of the financial year, signed by the board of directors or the person authorized to sign on its behalf.[24]
  - b)Parties and companies which securities are listed on the Market shall notify the Authority and the Market of - and provide them with the following reports:
    - 1.Interim financial reports (quarterly and semi-annual) reviewed by the external auditor of the company, within 45 days from the end of the specified time period, signed by the board of directors or the person authorised to sign on its behalf.
    - 2.Annual financial reports audited by the external auditor of the company, within 90 days from the end of the financial year, signed by the board of directors or the person authorised to sign on its behalf.The reports above should be prepared in accordance with international accounting standards, which are issued by The International Accounting Standards Board (IASB), in both Arabic and English languages. Such reports should include the board of directors' and the auditor's reports, a balance sheet, an income statement, a cash flow statement, a change in equity statement, and clarifications relating to the financial statements.[25]
- Parties or companies are required to disclose such financial reports before or after trading hours.[26]
8. Copies of all publications issued to the company's shareholders, as soon as they are issued.
9. The company's board of directors' decision regarding the distribution of profits to shareholders or the announcement of profits and losses, in order to obtain the approval of the Market for the publication thereof.
10. The names of those who own, or whose holdings together with their minor

children is (5%) or more of the company's shares, this obligation must also be complied with upon each occasion when such holding changes by (1%) of the company's share capital over and above the (5%) threshold.

11. The dates and times of meetings of the board of directors of the company in which matters that affect the price and movement of shares in the Market will be discussed, such as cash distributions, bonus shares, an increase or decrease of the company capital, subdividing the nominal value of the share, purchase by the company of its own shares and interim and annual financial statements, at least two days before the date of the meeting.

The company shall provide the Authority and the Market immediately upon the end of the board meeting with the decisions and financial statements approved by the board of directors in that meeting regardless of whether the day following the meeting is a working day or an official holiday. If the meeting is held during trading hours, trading in the shares of the company shall be suspended. In all cases, trading in the shares shall be suspended until the Authority and the Market have been provided with the decisions and financial statements produced at the meeting.

Those companies that need the approval of the UAE Central Bank, or the regulatory body under which foreign companies are regulated, shall be exempted from the obligation to immediately provide the Authority and the Market with financial statements. However, these companies shall disclose the statements upon receiving the relevant approval.<sup>[27]</sup>

12-The dates and agenda of the general assembly meeting before announcing the invitation to hold such meeting; and the company shall provide the Authority and the Market immediately upon the end of the general assembly meeting with the resolutions passed by that general assembly.<sup>[28]</sup>

## **Article (37)**

1- Pursuant to the Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, a person shall be liable to imprisonment for a period of not less than three months and not more than three years and a fine of not less than one hundred thousand (100000) Dirhams and not more than one million (1000000) Dirhams, or either of these penalties, if such person:

a. Disseminates any untrue data, declaration or information that affect the market value of securities and the investor's decision to invest in such securities or otherwise.

- b. Deals in securities on the basis of unpublicized or undisclosed information acquired by virtue of his position.
- c. Spreads misleading rumors regarding the selling or buying of shares.
- d. Exploits unpublicized information which could affect the price of securities for personal benefit. Any dealing or transaction on the basis of the preceding shall be considered void.

2- Without prejudice to the provisions of Articles (14) and (15) herein, the Authority, in the event of violation of the provisions of the Law and the Authority's regulations, may impose penalties or take the following actions against listed companies and investors, whether natural or corporate persons, as the case may be:

- a. A warning .
- b. A monetary fine of no more than one hundred thousand Dirhams.
- c. Suspension of the investor for a period of no more than one year.
- d. Suspension of listing for a period of no more than six months.
- e. De-listing.<sup>[29]</sup>

## **Article (38)**

The chairman and the members of the board of directors of a company which securities are listed on the Market and its general manager and any of its employees shall be liable to imprisonment for a period of not more than three years and a fine of not less than one hundred thousand Dirhams and not more than one million Dirhams, or either of these penalties, if he deals through himself or through others in any transaction in the securities of the company, before disclosing to the Market the purchase or sale transaction, the quantities and prices thereof, and any other information required by the Market, and before getting the approval of the Market's board of directors for such transaction. Any transaction executed without the referenced disclosure shall be considered void.

## **Article (39)**

The chairman and the members of the board of directors of any company or any of its employees who exploits the inside information relating to the company in the purchase of securities or the sale thereof on the Market shall be liable to imprisonment for a period of not less than three months and not more than three years and a fine of not less than one hundred thousand Dirhams and not more

than one million Dirhams, or either of these penalties. Any transaction so executed shall be considered void.

## **Article (39/bis) [30]**

The Board may publish the names of violators of the Authority's Law, regulations and decisions issued pursuant thereto, as well as the breaches and penalties issued against them as it determined.

## **Article (40)**

This Regulation shall be published in the Official Gazette, and shall come into effect as from the date of its publication.

Fahim Bin Sultan Al Qasimi  
Chairman of the Board of Directors of the  
Emirates Securities and Commodities Authority

Issued in Abu Dhabi on: 29/ 10/ 2000

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- [1] - The definition of (material information) has been added according to Decision No 33/R.M of 2019 and effect from 1/12/2019
  - [2] - Definition of Associated Group has been added according to Decision No. (31) of 2012
  - [3] - Definition of Associated Group has been amended according to Decision No. (14) of 2018, and it published in the Official Gazette on 30/04/2018, and effect from 01/05/2018.
  - [4] - Definition of Control has been added according to Decision No. (31) of 2012
  - [5] - Definition of Control has been omitted according to Decision No. (14) of 2018 and it published in the Official Gazette on 30/04/2018, and effect from 01/05/2018.
  - [6] - The definition of Material information has been added according to Decision No. 33 /R.M of 2019 and effect on 1/12/2019
  - [7] - Article (3) has been amended pursuant to Decision No. (31) of 2012.
  - [8] - Article (4) has been omitted pursuant to Decision No. (31) of 2012
  - [9] - Article (4) has been amended pursuant to Decision No. (18) of 2015.

- [10] - Article (5) has been omitted pursuant to Decision No. (31) of 2012
- [11] - Article (5) has been added pursuant to Decision No. (18) of 2015.
- [12] - Article (5/1) has been omitted pursuant to Decision No. (18) of 2017
- [13] - Article (6) has been amended pursuant to Decision No. (31) of 2012.
- [14] - Article (11) has been amended pursuant to Decision No. (14) of 2012.
- [15] - Article (14) has been amended according to Decision No. (63\|R) of 2005
- [16] - Article (17) has been amended pursuant to Decision No. (5\R) of 2008
- [17] - Article (19) has been amended pursuant to Decision No. (5\R) of 2008.
- [18] - Article (25) has been amended pursuant to Decision No. (5\R) of 2008.
- [19] - Clause No (4) has been added to Article (26) pursuant to Decision No. (5\R) of 2008.
- [20] - Article (31) has been amended according to Decision No. (75/R) of 2004
- [21] - Article 33 has been amended according to Decision no 33 R.M of 2019 and effect on 1/12/2019
- [22] - Article 34 has been amended according to Decision No. 33/R.M of 2019 and effect from 1/12/2019
- [23] - Article (35) has been amended pursuant to Decision No. (5\R) of 2008.
- [24] - Clause (a) has been amended according to Decision No. (26) of 2015.
- [25] - Penultimate paragraph of Clause (7-b) of Article (36) has been amended according to Decision No. (52/R) of 2008.
- [26] - Last paragraph of Clause (7-b) of Article (36) has been added according to Decision No. (5/R) of 2008.
- [27] - Clause No. (11) of Article (36) has been amended according to Decision No. (16) of 2013.
- [28] - Clause No. (12) of Article (36) has been added to Article (36) according to Decision No. (16) of 2013.
- [29] - Clause No. (2) of Article (37) has been amended pursuant to Decision No. (46) of 2010.
- [30] - Article (39/bis) has been added pursuant to Decision No. (21) of 2015.