

**DECISION NO (1/R) OF 2000
CONCERNING
THE REGULATION AS TO BROKERS**

The Chairman of the Board of Directors of the Securities & Commodities Authority,
Having considered Federal Law No. (4) of 2000 concerning the Emirates Securities & Commodities Authority and Market,
Council of Ministers Resolution No. 193/18 of 2000 concerning the constituting of the Board of Directors of the Authority,
Following consultation and coordination with the bodies concerned in the establishment of markets in the State, and
Pursuant to the Resolution of the Authority's Board of Directors at its meeting held on 8/4/2000,
Has resolved to approve the following regulation as to brokers, the regulating of their functions and the cessation thereof.

Definitions

Article (1)

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

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

the State: The State of the United Arab Emirates.

The Authority: The Securities & Commodities Authority

The Board: The board of directors of the Authority.

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

Brokerage: The purchase or sale of securities by a broker in the market in the name and for the account of a third party or in its own name and for its own account. *

The Clearing: The entity that conducts the operations of settlement and payment of the funds due to the transacting parties.

Broker: A juristic person authorized pursuant to the provisions of the Law to conduct brokerage business in the Market.

* Definition of (Brokerage) has been amended according to decision No (30\R) of 2009.

Broker's Representative: A natural person appointed by a Broker to conduct on its behalf acts of Brokerage in dealings relating to securities and commodities.

The Profession: The Brokerage profession.

The Register: The register of Brokers with the Authority.

The Floor: The trading hall in the Market.

The Central Bank: The Central Bank of the United Arab Emirates.

Operations Manager: the natural person whom the broker appoints to deal with the brokerage company client accounts, and who does his work outside the securities market. *

Trading Manager: the natural person whom the Broker appoints to have oversight over the trading operation on the floor.*

The Executive Branch: is the broker's branch that receives and implements customer orders to buy or sell securities in the market.*

Orders Receiving Branch: is the broker's branch that receives customer orders to buy or sell securities.*

Merger: To wind-up one or more brokers and transfer all liabilities thereof to another broker, or to wind-up two brokers or more, combine them and transfer all liabilities thereof to a new broker with a new corporate identity.*

Licensing of Brokers

Article (2)

There shall be set up in the Authority a register of Brokers in which shall be entered their names, addresses, and registration numbers and dates.

Article (3)

It shall not be permitted for a Broker to practice the Profession of Brokerage in the State except through one single company, and after obtaining from the Board a license renewed annually by decision of the Authority, and after registration in the Register prepared for such purpose.

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- * Definition of (Operations Manager) has been added according to decision No (62\R) of 2005.
 - * Definition of (Trading Manager) has been added according to decision No (62\R) of 2005.
 - * Definition of (The Executive Branch) has been added according to decision No (45) of 2010.
 - * Definition of (Orders Receiving Branch) has been added according to decision No (45) of 2010
 - * Definition of (Merger) has been added according to decision No (45) of 2010

By way of exception to the foregoing, it shall be permitted to the Ministry of Finance & Industry and to the Central Bank or to their respective representatives to act as brokers for the securities of the Federal Government or the Governments of the Emirates members of the Federation, without registration with the Authority.

It shall not be permissible for a partner in the capital of a Broker to be a partner in the capital of another Broker or to occupy a management position therein. *

Article (4)

The soliciting of clients to deal in securities and commodities shall be deemed Brokerage business.

Whoever seeks to meet persons in public places or at their places of work or residence, and whoever uses the telephone or any other means of communication proposing the purchase or sale of securities or commodities, or the rendering of services in this connection, shall be deemed to be soliciting clients.

Article (5)

Without prejudice to what is provided in Article (21) of this Regulation, the Chairman of the Board may issue a final decision to halt the activity of an unlicensed broker. The decision ordering cessation may include the closing down of the place in which the activity was carried on.

Article (6)*

1. A broker who encounters an emerging cause preventing him from practicing his activity must apply to the Authority - within one week from the emerging cause - to temporarily suspend the activity, otherwise, the broker will be subject to disciplinary measures. The broker may apply for resuming his practice once the preventing cause ceases to exist.

The Authority may reject or approve the application that have satisfied all the requirements at the discretion of the Authority to ensure protecting the interests of customers provided that the period of such suspension is no longer than (6) months as from date of approval thereof, and provided that the broker continues to comply

* Last paragraph of Article (3) has been added according to decision No (176/R) of 2006.

* Article (6) has been amended according to Decision No. (4) of 2011.

with all license conditions and have maintained the bank guarantee with the markets during such period.

2. The Broker who desires to cancel his license and delete his name from the brokers' register with the Authority must submit an application to the Authority and satisfy all requirements for cancelation as prescribed by the Authority.

The cancelation decision shall be passed by the board and immediately published in two daily newspapers circulated in the State, one in Arabic and the other in English, at the expense of the broker. The bank guarantee may be released after (3) three months as from date of publication and after ensuring that there are no other obligations to be met by the broker towards the markets or customers.

Article (7)

Any entity whose name is entered on the Register of Brokers shall satisfy the following conditions:

- 1 - It is a juristic person constituted within the State, adopting one of the legal forms provided for in Federal Law No.(8) of 1984 concerning Commercial Companies, and owned as to not less than (51%) of its capital by natural or juristic persons holding the nationality of the State, or the nationality of one of the States of the Arab Gulf Cooperation Council but subject to the principle of reciprocity. *
- 2 - The contract of incorporation is written in the Arabic language and authenticated before the competent authorities.
- 3 - The company's paid-up capital shall not be less than (30) million Dirhams (thirty million Dirhams). *
- 4 - It submits a bank guarantee issued by a bank operating in the State in an amount of not less than (20) million Dirhams (twenty million Dirhams) as a minimum, payable unconditionally and on demand in favour of the Clearing, the value of such guarantee increasing progressively with the increase in volume of the Broker's business as determined by the Market's board of directors. If the Broker is entered in more than one Market, it shall be possible for it to apportion such bank guarantee as between the Markets in which it is entered, in such manner that the total of the portions of the guarantee

* Clouse No (1) of Article (7) has been amended according to decision No (30\R) of 2007

* Clouse No (3) of Article (7) has been amended according to decision No (176\R) of 2006

is not less than (20) million Dirhams (twenty million Dirhams). It shall be permissible, with the agreement of the Market in question, for the Broker to pledge all or part of the securities invested in the portfolios owned by it and deposited with the Clearing as security for the increasing of the amount of the bank guarantee for it, and to empower the Market to sell such securities or part thereof at the prevailing price in order to cover any financial claims which might result from the Broker's inability to discharge its obligations to the Market or to investors, provided that the bank guarantee relating to the investment portfolios does not exceed (50%) of the current market value. *

- 5 - None of the company's managers, or the partners holding powers to manage it, or its representatives undertaking Brokerage acts, has been in a state of cessation of payment of his commercial debts, even if this has not been coupled with him being declared bankrupt, or has been declared bankrupt and not been rehabilitated, or has been given a custodial sentence for an offence of dishonor or breach of trust and not been rehabilitated.
- 6 - Its activity is restricted to Brokerage business.
- 7 - The Broker shall appoint the following staff:
 - 1 – A general manager or an executive manager
 - 2 – An operations manager
 - 3 – A trading manager
 - 4 – Two broker representatives; and *
 - 5 – An internal controllerin accordance with the conditions stated in article (12) of this Regulation. *
- 8 - A Broker shall be required to satisfy – on a continuous basis – all conditions of the license, and upon any of the conditions stated pursuant to this Regulation ceasing to be satisfied, the Board shall be at liberty to revoke the license granted to the Broker. *
- 9 - The Board may exempt any Broker from the conditions stated in this Article. *

* Clouse No (4) of Article (7) has been amended according to decision No (176\R) of 2006

* Clouse No (7) of Article (7) has been amended according to decision No (176\R) of 2006

* Clouse No (4/7) from Article (7) has been amended according to Decision No. (45) of 2010

* Clouse No (8) has been added to Article No (7) according to decision No (176\R) of 2006

* Clouse No (9) has been added to Article No (7) according to decision No (50\R) of 2007

Article (8)

Applications for entry upon the Register of Brokers shall be submitted to the Authority on the model format prepared therefore, accompanied by the documents supporting the application.

The Authority may request any clarifications or additional information if it deems this necessary.

Article (9)

The Board shall issue its decision to accept or reject applications for entry on the Register within sixty days from the date applications are submitted complete to the Authority.

If the Board issues no decision on this matter within such period, the application shall be deemed rejected, and no new application may be submitted until six months have elapsed from the rejection of the first application or its deemed rejection.

Any party whose application is rejected may file a case before the competent civil court within thirty days from the date of the express or implied rejection of the application. The court's ruling on this matter shall be final.

Article (10)*

- (A) The license period shall be one year expiring at the end of December of each year. The period of the first license shall however be from the date of its grant to the end of December of the same year. The fee due on such license shall be charged in the proportion the period of the license bears to one year, with a part-month being deemed a full month.
- (B) The license shall be renewed by application submitted to the Authority during the final month of each year, and the Authority's Chief Executive shall be at liberty to have the Broker cease operating in the event that the application for renewal of the license in complete form is not submitted within the prescribed period.

* Article (10) has been amended according to Decision No. (176\R) of 2006.

Article (11)

Any party entered upon the Register with the Authority may submit an application to any Market for a license for it to practice the Profession. The Market shall have discretion to approve or reject the application. The Market shall notify the Authority of the names of those who have been approved to practice the Profession within one month from the date of granting the approval.

Article (12)*

- (1) The following shall be requisite for the general or executive manager, the operations manager, the trading manager, the internal auditor and the Broker's Representatives appointed by the Broker:
 - (a) He is a natural person.
 - (b) He is of full legal capacity.
 - (c) He is of good conduct and behavior, and has not been given a custodial sentence for an offence of dishonour or breach of trust without having been rehabilitated.
 - (d) He is not in a state of cessation of payment of his commercial debts, even if such cessation has not been coupled with his being declared bankrupt, or has not previously been declared bankrupt without having been rehabilitated.
 - (e) He is engaged in the Profession full-time.
- (2) The following shall also be requisite for them respectively:
 - (a) **General Manager or executive manager:** he holds a university qualification and possesses experience of not less than five years in the field of securities or fields relating thereto.
 - (b) **Operations manager:** he holds a first university certificate (in the field of business management or accountancy) as a minimum, and has practical experience of not less than four years in the field of securities or experience of not less than two years if he holds a higher study qualification, and, for those who hold the nationality of the State, the requirement as to experience shall be at least two years in the field of securities or experience of not less than one year if he holds a higher study qualification.

* Article (12) has been amended according to Decision No. (176/R) of 2006

- (c) **Trading manager:** he holds a first university certificate as a minimum and has practical experience of not less than four years in the field of securities or experience of not less than two years if he holds a higher study qualification, and, for those holding the nationality of the State, the requirement as to experience shall be two years at least in the field of securities or experience of not less than one year if he holds a higher study qualification.
- (d) **Broker's Representative:** he holds a first university certificate as a minimum and has practical experience of not less than three years in the field of securities or finance, or experience of not less than two years if he holds a higher education qualification, and those holding the nationality of the State shall be exempted from the requirement as to experience, and shall be required to only hold the general secondary certificate as a minimum. *
- (e) **Internal auditor:** he holds a professional certificate in the field of accountancy (CPA or equivalent) as a minimum, and has practical experience of not less than three years in the field of securities or five years at least in the external audit field, of which at least three years are in the field of auditing financial institutions, or five years at least in the field of internal audit in a financial institution, and for those holding the nationality of the State the requirement as to experience shall be three years at least in the field of securities or the external audit field.
- (3) If the university certificate is issued by a university outside the State, its equivalence shall be determined by the Ministry of Higher Education in the State.
- (4) It shall not be permissible for any of those who occupy positions stated in this article to hold two positions simultaneously.

Article (13) *

- A) It shall be prohibited for any of those who hold the positions described in article (7/7) of this Regulation to take up their functions without first being approved by the Authority.
- (B) The Authority prescribes examinations for the accreditation of the positions described in article (7/7) of this Regulation excluding the

* Clouse No (d/2) of Article (12) has been amended according to decision No (4) of 2011

* Article (13) has been amended according to decision No (51\R) of 2008

position of the General/Executive Manager and in the case of the existence of exceptional qualifications and expertise necessary for taking the aforementioned functions.

- (C) It shall be permissible for any of those holding positions described in article (7/7) of this Regulation to move to work for another Broker with first obtaining prior agreement from the Authority.

Brokers' Rights

Article (14)

A Broker shall be entitled to its commission from the person who has instructed it to broker the making of a contract as soon as such contract is made, even if the contract is not executed in whole or in part.

Article (15)*

An overall commission of (0.00275) of the value of each transaction shall be charged. This commission shall be distributed as follows:

A- 0.0015 to the Broker.

B- 0.0005 to the Market.

C- 0.00025 to the Authority.

D- 0.0005 to the Clearing.

In no case shall the commission levied on trades be less than AED (65) of which the share of the Broker shall be AED (30), and that of the Market AED (20), with AED (5) for the Authority and AED (10) for the Clearing. The Broker may refund any part of the commission he charges for any transaction to the investor but he shall be obliged to draw up a receipt in the amount of commission he has actually charged and to enter the particulars of the receipt in a special register prepared for that purpose.

Article (16)

A Broker may, after obtaining the approval of the Market's director general, dispose of the securities which are the subject-matter of a transaction it brokered, if the client who instructed it as Broker fails to perform his obligations arising from such transaction.

* Article (15) has been amended according to Decision No. (13\R) of 2006

Article (17)

A Broker may at any time increase the amount of its bank guarantee with the Clearing, in order to increase its maximum trading limit.

Article (17) Bis *

Trading in securities by the broker in its own name and for its own account

First, A broker is prohibited to trade in securities in its own name and for its own account without the approval of the Authority in accordance with the conditions and procedures provided for in this Regulation.

Second, A broker shall apply to the Authority using the form designated for this purpose enclosing by the following documents:

1. A statement of the broker's accounts with national and foreign banks and any changes thereto accompanied by the approval of the broker's board of directors or management board on the Authority's right to inquire about such accounts.
2. A report from the broker's board of directors or management board explaining the investment policy of the broker; the size of funds allocated for this purpose indicating the sources of finance; the impact of investment in securities on the broker's solvency, and its plans to address such impact if the value of the securities subject of such investment is impaired.
3. The decision of the board of directors or management board stating the name, capacity and qualifications of the person authorized to manage the broker's account for investment in securities.
4. A statement indicating the existence of an internal control system that prevents the broker, when trading in his own name and for his own account, from utilizing undisclosed financial consultations or financial analysis reports issued by the broker and having effect on securities' prices.

Third, The Authority shall issue its decision approving or rejecting the application within thirty days as of the date of submission of an application satisfying all conditions and requirements provided for

* Article (17) Bis has been added according to Decision No. (30\R) of 2009

herein. Upon deciding on an application, the Authority may consider penalties imposed on the broker by the Authority or the Market in the last two years.

Fourth, without prejudice to any other obligations provided for in this or any other Regulations, a broker who obtains the Authority's approval to trade in securities in its own name and for its own account shall comply with the following:

1. To obtain an investor's number with the clearing house to be designated for the brokers' trading in its own name and for its own account.
2. Contracting with a licensed entity to practice the safe custody of the securities possessed by the broker. *
3. To maintain the fulfillment of solvency requirements necessary to practice its activity in a manner to ensure meeting its obligations.
4. To constantly ensure the availability of sufficient cash balance in hand or in its bank accounts to complete the purchases.
5. To establish a register for trading transactions in its own name and for its own account to record all details of instructions relating to transactions and approvals issued by the Market.
6. To give the clients' instructions priority over broker's instructions.
7. To assign an internal controller to review the instructions, follow up on the execution of the broker's trading transactions, ensure that the investment operations are in compliance with the law, regulations and approved investment policy; and submit a quarterly report thereon to the broker's board of directors or management board and provide the Authority with a copy of such report.
8. The broker's investment in securities shall not exceed (40%) of the total of the principle capital (Tier 1) and the additional capital (Tier 2) as set forth in the financial solvency criteria approved by the Authority, and provided that its investment in a single

* Clouse No (2/fourth) of Article (17) bis has been amended according to decision No (45) of 2010

security shall not exceed (10%) of the amount allocated for investment for its own account in securities.*

9. To issue instructions relating to its trading through the person authorized to manage the investment account.
10. Not to trade in securities in foreign financial markets except within the limit of (10%) of the amount allocated for investment in securities for its own account.
11. To advise the client that the broker or any person associated therewith was a party to, or had an interest in the transaction executed for the account of the client.

In case of a conflict of interest between the broker and the client, the broker must take the necessary procedures to protect the interests of the client.

12. To provide the Authority with any agreement concluded by the broker, or any company affiliated therewith, with banks entailing financial obligations thereon, and any undertaking or guarantee provided by the broker to any third party.
13. Not to conclude any deal for the broker's account that involves a security which had been subject of a financial consultation or financial analysis issued by the broker, or trading in any derivatives related to the said security during the periods set forth in the Resolution on Financial Consultations and Financial Analysis issued by the Authority.
14. Not to trade in any security or any derivative related thereto in contrary to recommendations included in the financial consultations or financial analysis report issued by the broker in relation to the same security, or contrary to the advice provided by the broker to its clients for a period not less than (30) days as of the date of issue of the consultation or report.

* Clouse No (8/fourth) of Article (17) bis has been amended according to decision No (4) of 2011

Obligations of Brokers

Article (18)

Brokers and their representatives shall respect the ethics of the Profession and refrain from anything such as to harm the reputation of the Market, its members or those transacting therein, and they shall in particular be obligated in terms of the following:

1. To acquaint the Market beforehand with the contents of their advertising campaigns to promote their services, before releasing them to the public.
2. To make internal regulations to ensure the proper selection of their representatives, the monitoring of the good conduct of each of them and the inculcating in them of the principles and ethics of the Profession.
3. To report promptly to the concerned authorities any contraventions by their representatives, as a preliminary to disciplinary sanctions being imposed upon them.
4. To give the Market's management the name of any client who has failed to fulfill his obligations.
5. To refrain from executing any purchase or sale order off the trading Floor.
6. Not to disclose to brokers or other transacting parties the names of their clients, or give any details or information on their orders.
7. Not to publish or propagate any untrue data or information as to the position of entities whose securities are listed in the Market, or as to other Brokers.
8. Not to execute, without having obtained the approval of the director general of the Market, purchase or sale orders for their own account or for the account of the entities they work in or the members of their boards of directors or their employees, or for the account of their spouses or their ascendants or descendants to the second degree or for the account of any spouse of the latter or their minor children.
9. Not to accept purchase orders from clients well-known for lack of creditworthiness or lack of probity, unless the Market's director general has first approved.
10. A Broker shall carry out the activities it has been licensed for, exercise the care of a prudent man in accordance with the provisions of the Law and the regulations issued in implementation thereof as well as the terms and conditions on which the license is granted, and observe commercial custom in this respect and the

principles of loyalty, justice, equality and concern for the clients' interests and the executing of their orders issued to it in the order of priority in which they arrived.

11. A Broker shall meet all obligations resulting from the transactions it has brokered on the date set therefor, and settle its obligations with the Market in accordance with its regulations and regardless as to whether or not it has obtained settlement from its clients.
12. A Broker shall submit accurate information to the Market, and ascertain that the purchase operations entrusted to it concern clients eligible for registration in the companies' registers, which failing the Market may sell the shares on behalf of the clients and charge to the Broker the loss resulting from the sale.
13. A Broker shall immediately inform the Authority and the Market of any changes occurring in the information contained in the license application which it submitted and on the basis of which it was entered on the Register, or in the information as subsequently updated.
14. A Broker shall not be permitted to execute transactions related to securities unless it has ascertained the seller's ownership of the shares.
15. A Broker shall not be permitted to pay the value of any securities or commodities before execution of the sale transaction on the Floor in accordance with the Market's regulations and instructions.
16. A Broker shall not be permitted to make a contract for transactions in securities or commodities which are subject to a dispute.
17. The Broker shall keep separate the accounts of his clients from those of its company pursuant to the mechanism and rules issued by the Authority.*
18. The Broker shall obtain, from a customer who wishes his cash distributions of dividends to be transferred to his bank account, a statement of the customer's bank account number, signed by the customer in approval to transferring the cash dividends to him. The broker must ensure obtaining such statement from all customers, and shall provide the market with a list of all the names of its customers supported by copies of the statements signed and submitted by them.*

*Clouse No (17) of Article (18) has been amended according to decision No (50\R) of 2007

*Clouse No (18) of Article (18) has been amended according to decision No (7) of 2011

Article (18) Bis *

(1) A Broker shall be obligated in terms of the following:

(a) Written internal regulations shall be promulgated within (3) three months from its obtaining the license, and a copy thereof shall be supplied to the Authority, with the provisions of such this regulation being amended so as to conform with amendments occurring in the law, the regulations or decisions issued pursuant thereto, and the Authority shall be notified thereof.

The internal regulations shall include the following:

1. The documentary cycle to be followed from the date of the investor's dealing with the Broker up to the completion of the operation and his being advised thereof.
2. The Broker's organizational chart, stating the actual management competences and responsibilities exercised by managers and its other personnel.
3. The relationship of the Broker's principal place of business with its branches and offices belonging to it, and stating the powers which the branch is allowed to exercise.
4. The system for recording correspondence.
5. The system for keeping internal records.
6. The system for registering investors' complaints.
7. The Broker's system for internal audit and periodical review which is applied to the managers and its personnel so as to ensure proper application of the law, the regulations, the decisions in force and its internal regulations.
8. The system for dealing with errors resulting from the Broker's carrying-out of its operations.
9. The system for dealing with clients' instructions in the event of failure to pay and other breaches of the obligations owed by them to the Broker.

(b) If the Broker is unable to appoint an internal auditor, it shall be permissible, exceptionally, for it to appoint an external auditing office holding approval to do internal audit work, being an office other than the external audit office undertaking the audit of the Broker's accounts. The Authority shall be provided with the names of the representatives of the audit office undertaking the internal audit work, and any change in them.

* Article (18 Bis) has been added according to decision No (176/R) of 2006

- (c) The notifying of the Authority of the names of those responsible for following up on internal audit at the Broker's principal place of business and its branches, if any.
- (2) It shall not be permissible to dismiss the internal auditor from his functions, or to dispense with his services, save pursuant to a decision by the Broker's senior management. The Authority and the internal auditor shall however be notified by registered letter not less than thirty days prior to his removal or the dispensing with his services, and in it the grounds and justifications for the removal shall be stated.
- (3) The Broker's internal auditor shall be obligated to notify the Authority of any violation of its law, the regulations or resolutions promulgated pursuant thereto, or of the internal regulations in force in the Markets, and of any investigation or judgment of the courts rendered against any of the Broker's managers or personnel relating to his work in the securities field or to a civil dispute relating to his work, or of any judgment rendered declaring him bankrupt or any sentence imposed for a crime of dishonour or breach of trust falling other than into the lowest category of gravity. This shall be done within(3) three days from the date of his learning thereof.
- (4) Without prejudice to the provisions appearing in this article, the Broker shall be bound by all rules, procedures and regulatory requirements prescribed by the Authority in relation to internal audit and the functions of the internal auditor.

Restrictions upon the Profession of Brokerage

Article (19)

1. A Broker may not act both in the capacity of broker and also in the capacity of agent in any contract it brokers the making of.
2. A Broker may not transfer the license granted to it to another Broker, unless the Board has given its approval therefore.
3. Vis-a-vis the Market, the burden of proof shall lie upon the Broker to demonstrate that it had entire authority from its clients in respect of every order undertaken by it, including the obtaining of the clients' signatures on the order form, the recording and archiving of the

orders received by telephone pursuant to the technical rules and requirements laid down by the Authority, the ascertaining of the authenticity of orders arriving by telefax or electronic mail, the retaining of copies of such orders and the issuing of a confirmation to its client for each order executed on the same day execution was effected.*

4. No Broker may exceed its maximum trading limit as represented by the amount of the bank guarantee deposited with the Clearing. It may not continue to carry on business without having made good any shortfall which occurs in such guarantee pursuant to the regulations of the Market.
5. A Broker shall maintain commercial books and records and other modern technology apparatus in accordance with international financial reporting standards (IFRS). It must keep the customers' written orders, recorded telephone orders or orders received by any electronic means approved by the Authority for a period of (10) years, provided that spare copies (backup) of such data must be kept for the same period in order to preserve customers' data and protect it from any cause of damage. The Broker shall provide the Authority with a statement of its equipment and its main office and branches, as well as any changes occurring therein. *
6. A Broker shall submit final accounts and an annual balance sheet duly audited by an accredited auditor within one month from the end of the financial year, and also submit a quarterly statement on its financial circumstances, and notification to the Market in the event of there being any deficit affecting the soundness of its financial position.
7. A Broker shall maintain the minimum capital, the bank guarantee and the staffing levels provided for in the model format license application, or in this regulation.
8. The Broker shall be obliged to maintain the financial solvency required for the carrying on of its activity to the extent which ensures that it satisfies its obligations, pursuant to the standards issued by the Authority. *

* Clouse No (3) of Article (19) has been amended according to decision No (87\R) of 2007.

* Clouse No (5) of Article (19) has been amended according to decision No (4) of 2011

* Clouse No (8) of Article (19) has been amended according to decision No (50\R) of 2007

Broker Branches

Article (19) Bis *

1. The broker may not open branches except after obtaining the approval of the Authority for each individual branch.
2. To obtain approval to open an executive branch of the broker, the following conditions must be satisfied:
 - a. A decision from the board of directors or management board of the broker to open the branch should have been issued;
 - b. The broker should have the required financial adequacy for the expansion by establishing new branches, subject to providing the Authority with a certificate from the external auditor to that effect;
 - c. To appoint an officer in charge of the branch, who shall meet the same conditions required to be satisfied by the Trading Manager of the broker in accordance with the provisions of Article (12) of this Regulation. The branch officer in charge shall submit a formal acknowledgement of his full responsibility for the actual management of the branch;
 - d. A table signed by the legally authorized representative of the broker must be developed to determine the tasks, responsibilities and powers vested in the branch officer in charge;
 - e. To submit the title deed or the lease contract for the branch premises authenticated by the concerned authorities;
 - f. To also submit a statement showing the technical equipment available in the branch, as well as a list of the names of its employees and their job titles;
 - g. The broker shall comply with the provisions of the law and the regulations issued in implementation thereof. This shall be verified through the professional record of the broker, whereby the Authority shall assess the extent of such compliance.
 - h. The necessary lines to link the branch with the markets and the broker's main office must be available.
 - i. The branch must be completely independent of any other entity in terms of location as well as in terms of organizational, technical and administrative aspects; and
 - j. The broker must notify both the Authority and the Market of all details of the branch and any changes that may occur thereon or on its management as they occur.

* Article (19/bis) has been added according to Decision No. (45) of 2010

The Authority shall carry out an inspection of the branch location to verify the availability of technical and administrative equipment therein.

3. The broker may open branches that only receive customer orders. Such broker branch shall be subject to the conditions set out in item (2) of this Article except those indicated in clauses Nos. (c & h).
4. The application to open a branch shall be submitted by the legal representative of the broker accompanied with supporting documents proving the fulfillment of all conditions stipulated in item (2) of this Article. The authority shall issue its decision approving or rejecting the application to open a branch within thirty days from the date of submitting the complete application to the Authority. If a decision on the matter has not been issued during that period, it shall be construed as a rejection of the application. An applicant whose application has been rejected or deemed rejected may appeal the decision before the competent court within thirty days of being notified of such rejection.
5. All provisions stipulated herein shall be applicable to the activity of the branch.
6. The broker may apply to close a branch, and the Authority may, after consulting with the market, issue a decision approving the closure.
7. The Chief Executive Officer of the Authority shall issue a final decision to suspend the activity of any branch where such activity is practiced without the approval of the Authority. The suspension decision may include the closure of the place where such activity is practiced through an administrative approach.
8. Without prejudice to the penalties provided for in this Regulation, the Authority may cancel its approval of a branch if such branch no longer satisfies one of the conditions on basis of which the approval was granted, or if it violates any provision of the law, or the regulations or decisions issued in implementation thereof.

Broker Merger

Article (19) Bis/1 *

Subject to the provisions on merger stipulated in the Commercial Companies Law, the following provisions shall apply in cases of mergers between brokers licensed to operate in the State:

1. The merger of brokerage firms shall be either by acquisition or combination. The merger resolution shall only take effect after obtaining the approval of the Authority and the competent authority provided for in the Commercial Companies Law in accordance with the legal form resulting from the merger.
2. If the merger between two brokers or more was by acquisition, the application must be submitted to the Authority supported by the following documents:
 - a. A resolution approved by the Board of Directors or management board of the acquiring broker and the acquired broker, confirming their wish to merge;
 - b. A copy of the merger contract;
 - c. A statement signed by the internal and external auditors of the broker showing the obligations of each broker and the rights of its customers;
 - d. The financial statements for each broker duly audited to the nearest date to submitting the application;
 - e. Evaluation of the net assets of the acquired broker in accordance with the provisions on evaluating the in-kind shares provided for in the Commercial Companies Law and amendments thereof;
 - f. A report showing the actions taken with respect to the personnel approved by the Authority;
 - g. A letter from the financial markets issued during the week preceding the date of application, indicating the obligations of the acquired broker;
 - h. An undertaking from the acquiring broker to increase its capital as soon as the merger is approved according to the outcome of the acquired broker's valuation; and
 - i. An undertaking from each party to the merger process to comply with all the rights of investors and the obligations related to the acquired broker's debt according to the final report.
3. If the merger between two brokers or more was by combination, the brokers applying for the merger shall comply with all obligations

* Article (19 Bis/1) has been added according to Decision No. (45) of 2010

and procedures described in items (2) and (7) of this article, provided that each merging broker shall issue a self wind-up resolution, and the new broker shall be established in accordance with the provisions of the Commercial Companies Law. The capital of the new broker shall be the net results of valuating the merging brokers, and all obligations and rights of the merging brokers shall inure to the new broker according to the latest report submitted to the Authority immediately before the merger.

4. Any party with interest may object to the merger process within three months from the date of publishing it in the Commercial Register. The objection shall be submitted to both the competent authority and the Authority with reasons thereof and enclosing all data and rights related to the broker's debt. The merger may not be approved except after the end of the objection by mutual agreement or by litigation.
5. Both the acquirer and the acquired brokers shall be subject to inspection to make sure of all data, information, obligations and rights relating to each of them, and a report thereon shall be prepared.
6. The application for merger that meets all required documents and all conditions as shown above shall be presented to the Board to make a decision thereon.
7. The acquired broker shall do the following:
 - a. Implement the merger decision and issue a decision to wind-up its company after three months from the date of publishing the merger in the Commercial Register, provided that the effective date for the company wind-up and merger must be publicized in two local daily newspapers, at least one of them published in Arabic language.
 - b. The acquired broker shall not dispose of any of its assets and properties after they have been evaluated by the committee formed for this purpose. In the event of such disposal of any asset because of an emergency, it shall notify the Authority accordingly as soon as it has occurred.
 - c. To inform the Authority of any changes to its financial liability, and to submit a duly audited statement of investor rights and obligations towards it as of the date of submitting the application until the day before winding-up the broker and implementing the merger, provided that such statement shall be signed by the

Board of Directors or management board of the broker and its auditor.

8. The acquiring and acquired brokers shall continue to practice their business as usual until the issuance of the decision by the Authority and the competent authority approving the merger.

Disciplinary Measures against Brokers

Article (20)*

The Chief Executive of the Authority may, or upon the request of the director-general of the Market, form a committee to investigate the Broker in any of the following cases:

- 1- If it contravenes the provisions of the Law, the regulations, the resolutions and the instructions issued in implementation thereof.
- 2- If it fails to settle its dealings with the Clearing or with clients.
- 3- If it submits forged or false documents, information or reports.
- 4- If it acts in a manner intended directly or indirectly to mislead transacting parties generally as to trading in the Market.

Penalties to Which Brokers are Liable

Article (21)

Whoever carries on brokerage business without obtaining the license necessary therefore shall be liable to imprisonment and a fine or to either penalty.

Article (22)*

The Chief Executive of the Authority or the board of directors of the Market, as the case may be, may issue a warning to a Broker, or adjudge it liable to a monetary penalty not exceeding one hundred thousand dirhams. The Broker may object to this to the Board within thirty days from the date the decision was rendered if in praesentia, and from date the Broker was notified of the decision if in absentia. The decision of the Board on the objection shall be final.

* Article (20) has been amended according to Decision No. (50\R) of 2007

* Article (22) has been amended according to Decision No. (62\R) of 2005

Article (23)*

The Authority or the board of directors of the Market may dispose of the bank guarantee submitted by the Broker, in whole or in part, to meet the obligations due from the Broker to investors or the Market, or to implement the Authority's decisions issued in this regard.

The Broker may object to the Board's decision or the Market board's decision, as the case may be, before the competent court within thirty days from the date of being served with the decision.

Article (24)

If a significant change in the Broker's management is reported to the Market, or the board of directors of the Market is of the opinion that there is good cause to have the Broker cease working, or the Broker is in default under a condition of the license, or its representatives are repeatedly absent from the trading Floor for a period of more than two weeks without notifying the Market, the board of directors of the Market may have the Broker cease working for a period of not more than one week. The Broker may appeal the decision of the board of directors of the Market on this before the competent court within thirty days from the date the decision was rendered if in praesentia, and from the date it was notified of the decision if in absentia.

Article (25)

If the board of directors of the Market is of the opinion that there is good cause to have the Broker cease working for a period of more than one week, it shall refer the matter to the Authority to take the appropriate decision as to cessation. The Broker may appeal the Authority's decision on this before the competent court within thirty days from the date the decision was rendered if in praesentia, and from the date the Broker was notified of the decision if in absentia.

* Article (23) has been amended according to Decision No. (4) of 2011

Article (26)*

First: The Board may suspend the Broker from practising or revoke its licence and remove it from the Register in any of the following cases:

1. If it no longer satisfies a condition prescribed in the Law or the rules, regulations and instructions issued in implementation thereof.
2. If it is grossly in breach of any of the duties or obligations mentioned in the Law or the rules, regulations and instructions issued in implementation thereof.
3. If it defaults in paying the fee for entry on the Register, the annual subscription or the Market's commission.
4. If it fails to make good a shortfall in the bank guarantee within the period set by the Board.
5. If it is in a state of cessation of payment of its commercial debts, even if that has not been coupled with it being declared bankrupt, or has been declared bankrupt.
6. If it has been dissolved and liquidated as a result of the occurrence of any of the causes which brings it to an end.
7. *

Second: The decision to revoke the license of a Broker and its removal from the Register shall be published, at the expense of the Broker, immediately after its issuance in two daily newspapers issued in the State, one in the Arabic language and the other in the English language. The bank guarantee may be released after (3) three months as from date of publication and after ensuring that there are no obligations to be met by the broker towards the markets or customers. *

Article (27)*

A Broker may appeal the decision issued by the Authority for cancellation of its license and its removal from the Register before the competent court within thirty days from the date the broker was notified of the decision.

* Article (26) has been amended according to Decision No. (68\R) of 2007.

* Clouse No (7/first) of Article (26) has been deleted according to decision No (4) of 2011

* Clouse second of Article (26) has been amended according to decision No (4) of 2011

* Article (27) has been amended according to Decision No. (10\R) of 2008

Final Provisions

Article (28)

Brokers who are conducting Brokerage business under previous licenses from the Central Bank shall apply to the Authority to obtain a new license to practice the Profession in accordance with the provisions of this regulation.

Article (29)*

1. The Board may require dissolution and liquidation of the Broker whenever the interest of the Market, the investors or the public so requires.*
2. In the case of voluntary or compulsory liquidation of the Broker, the liquidation shall be carried out under the Authority's control and supervision, this being without prejudice to the procedures set out in the Commercial Companies Law No. (8) of 1984, as amended.
3. A Broker may merge with another Broker under the supervision of the Authority and in accordance with the resolutions issued by the Board for that purpose.

Article (30) *

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

Article (31)

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

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

Issued in Abu Dhabi:
On 3 Muharram 1421 Hijri
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* Article (29) has been amended according to Decision No. (17\R) of 2007

* Clause No (1) of Article (29) has been amended according to decision No (10\R) of 2008

* Article (30) has been amended according to Decision No. (35\R) of 2008