

**DECISION NO (2/R) OF 2001  
CONCERNING  
THE REGULATIONS AS TO TRADING, CLEARING,  
SETTLEMENT, TRANSFER OF  
OWNERSHIP AND CUSTODY OF SECURITIES**

The Chairman of the Board of Directors of the Securities & Commodities Authority,  
Having considered the provisions of Federal Law No. 4 of 2000 concerning the Emirates Securities & Commodities Authority and Market,  
Pursuant to Council of Ministers Resolution No. 193/18 of 2000 concerning the constituting of the Board of Directors of the Authority,  
After consultation and coordination with the bodies concerned in the establishing of Markets in the State, and  
Pursuant to the approval of the Board of Directors of the Authority at its meeting on 11/2/2001,  
Has decided to approve the following regulations for trading, clearing, settlement, transfer of ownership and custody of securities.

**Chapter One: Definitions  
Article (1)**

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

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

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

**Broker's Representative:** A natural person licensed to carry on brokerage business in the Market in his capacity as representative of a Broker.

**The Floor:** The trading floor in the Market.

**The Clearing:** The entity that conducts operations of settlement and issues orders for the payment of the funds due to the contracting parties.

**Trading:** Sale and purchase transactions in Securities.

**Broker's Office:** The part of the Floor allocated to a Broker by the Market.

**Market Controller:** The person authorized by the director general of the Market to oversee Trading movement.

**Investor:** Any person who makes a practice of selling and buying Securities in his name and for his account, and has been given a number by the Market directly or through a Broker.

## **Chapter Two: Trading**

### **Article (2)**

Transactions in the Market shall be restricted to the Securities listed therein. The prices of the Securities shall be displayed in accordance with the regulations issued in this respect.

### **Article (3)\***

Trading in Securities listed in the Market shall take place on the Floor, and through one of the Brokers registered therein. Excepted from Trading on the Floor shall be the following cases:

- 1- Transfers of ownership between spouses and relatives to the second degree.
- 2- Transfers of ownership taking place as result of inheritance or wills or gifts not made against counter-value to official charitable bodies in the State.
- 3- Transfers of ownership taking place pursuant to court order.
- 4- Transfers of ownership taking place pursuant to an amicable settlement with a financial institution.
- 5- Transfers of ownership taking place between persons whose names appear on one single certificate of ownership.
- 6- The sale of Securities in a public auction.

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\* Article (3) has been amended according to Decision No. (62\R) of 2006.

In the preceding cases the procedures for transfer of ownership shall however be completed in accordance with the practices followed in the Market in this respect.

The director-general of the Market or whoever deputies for him may however sanction the transfer of ownership off the Floor in cases other than those mentioned above, when the situation so requires.

#### **Article (4)**

An entity whose Securities have been dealt in off the Floor shall inform the Market of the transactions which have taken place in such Securities, within a period not exceeding two working days following such transaction.

#### **Article (5)**

A Broker shall not be permitted to trade on behalf of an Investor unless an account has previously been opened for the Investor with the Clearing, and the Broker shall not be permitted sell on behalf of an Investor unless the Securities which are the subject-matter of the sale have been transferred from the Investor's account with the Clearing to his account with the Broker before effecting the sale.

#### **Article (6)**

Trading in Securities shall be carried out by means of the electronic Trading system provided in the Market, unless the Market approves in advance the effecting of transactions pursuant to special orders in excess of 80% of the Broker's bank guarantee.

#### **Article (7)**

A Broker shall enter sale or purchase orders through the channels provided by the Market.

#### **Article (8)**

**The Market shall make rules as to the following:**

- 1- The fixing of working hours on the Floor, the rules as to admittance thereto and the instructions to be observed by those present therein.
- 2- The number of Broker's Representatives who can be present together in a Broker's office.
- 3- Admittance to a Broker's office, and the instructions required to be observed by those present therein.

4- The re-sale of Securities purchased in the same Trading session.

#### **Article (9)**

The range of movement in the price of a share over the one Trading day shall be 15% of the previous closing price as a maximum rise or fall. The Market may however override this percentage in cases where this is required, provided that the Authority's approval is obtained.

#### **Article (10)**

The board of directors of the Market shall be responsible for the daily monitoring of trading transactions in Securities so as to ensure justice between transacting parties.

#### **Article (11)**

The Market Controller shall oversee the opening of Trading sessions, the proper functioning thereof and the correct application of the instructions as to Trading. He shall be assisted by a number of officers. Such Controller shall be responsible for managing the sessions and observing the Brokers' compliance with the applicable trading practices, including the keeping of order on the Floor.

He shall forthwith inform the director general of the Market or his deputy of any orders or transactions which are the subject-matter of a dispute, in order to take the action he deems appropriate thereon.

#### **Article (12)**

Without prejudice to the provisions of Article 3 of these regulations, all transactions effected in Securities listed in the Market shall be entered in its records, and any transaction in Securities listed in the Market not entered in accordance with the provisions of the Law and the regulations and resolutions in implementation thereof shall be null and void.

#### **Article (13)**

The entries in the Market's records, whether effected manually or electronically, and any documents issued by Market shall constitute legal evidence of dealing in, and ownership of, the Securities therein stated as of the date of such records or documents, unless the contrary is proved.

### **Article (14)\***

The chairman and the members of the board of directors of a company whose Securities are listed in the Market, and its general manager, or any of its employees who are acquainted with the fundamental data of the company, shall not effect dispositions himself or through others by dealing in the Securities of the company itself, or in the Securities of a parent, subsidiary, allied or affiliate company of such company, during the following periods:

- Ten (10) working days prior to the announcement of any significant information which affects the share price by way of a rise or a fall, unless the information was a result of sudden adventitious events.
- fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until disclosure of the financial statements has been made.

The provisions of the law shall be complied with when any of the persons aforementioned effects dispositions himself or through others by dealing in the Securities of the company itself, or in the securities of the parent, subsidiary, allied or affiliate company of such company. Any dealing not complying with this shall be null and void.

### **Article (15)**

**Any transaction in Securities effected by any person shall be null and void if:**

- 1- The transaction is effected on the basis of unpublicised or undisclosed information the transacting party acquired by virtue of his position.
- 2- The transacting party is the chairman of the company, or a member of its board of directors, or an employee of it, and has exploited his inside information as to the company in his transaction.

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\* Article (14) has been amended according to Decision No. (6\R) of 2008

### **Article (16)\***

No person, whether alone or in collusion with others, shall be permitted to effect any disposition or dealing such as to deceive or mislead of investors, including:

- 1- Executing a transaction or transactions in a particular security with the aim of deluding the investing public as to the existence of an active market for such security, or with the aim of affecting its price (by way of rise, fall or stabilising of the price) or the volume of trading therein in the market, or with the aim of affecting investors' decisions to invest or not to invest.
- 2- Entering, amending and/or cancelling a purchase or sale order or orders for a particular security with the aim of deluding the investing public as to the existence of an active market in such security or with the aim of affecting its price or the volume of trading in the market, or with the aim of affecting investors' decisions to invest or not to invest.

### **Article (17)\***

No person -whether alone or in collusion with others- shall be permitted to exploit information relating to the orders of investors for the purpose of achieving personal benefits for himself or for others.

### **Article (18)\***

At the end of the trading session, the Brokers shall review all orders and trades in order to ascertain their correctness. If it becomes evident that a transaction has been erroneously booked to some particular account, the Broker concerned shall submit to the trading controller an application for the necessary alteration on the model format prepared therefore in the Market within thirty minutes of the closing of the trading session during which the transaction in question took place, attaching to that format a copy of the order for the purchase or the sale which took place.

### **Article (19)**

The Market shall prepare a daily and a weekly bulletin as to Securities traded. The bulletin shall be approved by the director general of the

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\* Article (16) has been amended according to Decision No. (69\R) of 2007.

\* Article (17) has been amended according to Decision No. (69\R) of 2007.

\* Article (18) has been amended according to Decision No. (30\R) of 2004.

Market or whoever he authorizes, and shall be regularly published in the local daily newspapers appearing in the Arabic language.

The Market shall also prepare a monthly bulletin containing information as to the Securities listed during the month, the total monthly trading volume in the various sectors of activity compared to the previous month, and with a statement of the Trading indices.

### **Article (20)**

What the Market publishes shall be restricted to aggregated statistical data, without reference to names of transacting parties or their Brokers.

### **Article (21)**

The Market shall furnish to the Authority the data as to Trading on the model formats prepared by the Authority in this respect.

### **Article (22)\***

- 1- The Authority has to temporarily suspend trading of any listed security in exceptional circumstances that call for such suspension, if it is evident that the trading of such security is not of best public interest, trading of such security is unfair or it may harm the interest of the shareholders or for any other reason.
- 2- Without prejudice to item 1 above and upon The Authority approval, the market CEO may temporarily suspend trading of any listed security in exceptional circumstances that may disrupt the trading and the functioning of the market under any of the following cases:
  - a- in the interim period between the reception of material information form the company and the actual publication of such material
  - b- in the time of the general assembly meeting of the company if it took place while trading is commencing.
  - c- Upon receiving a justified request form the company.

### **Article (23)\***

- 1- The owner of a share registered on the working day preceding the meeting of the general assembly of a company shall be deemed to be the holder of the right to vote in that company's general assembly.

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\* Article (22) has been amended according to Decision No. (50\R) of 2008.

\* Article (23) has been amended according to Decision No. (49\R) of 2007.

- 2- The holder of the right to divide the nominal value of the share or dividends, whether “ cash or bonus shares”, shall be the owner of the share registered on the tenth day commencing on the day following the date of convening the General Assembly in which it was resolved to distribute such dividends or to effect the division. The company must deposit the cash dividends in the bank account of the entitled shareholder or send same by means of a bank cheque by registered mail to the address registered with the market within a period of no more than thirty days from the date of the General Assembly’s resolution to distribute such dividends. The company may deposit such dividends in the bank account of the market within such period and by such mechanism as determined by the market in coordination with the Authority. The Market must deposit the cash dividends in the bank accounts of shareholders within a period of no more than thirty days from the date of the General Assembly’s resolution to distribute such dividends.\*
- 3- The person entitled to subscribe for the shares of an increase in capital shall be the owner of the share registered on the day which is ten days prior to the day of commencement of subscription, provided that the invitation to subscribe has been published at least fifteen days prior to the date of commencement of subscription.

If the date the entitlement arising under paragraphs (2) and (3) falls on an official holiday, the working day next following shall be deemed to be the date the entitlement arises.

The company shall address the invitation to all shareholders in two daily local newspapers issued in the Arabic language and a newspaper issued in the English language at least twenty-one days prior to the date fixed for the holding of the general assembly. The invitation notice shall include the date referred to in paragraphs (1) and (2), and also the agenda for the general assembly.

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\* Clouse No (2) of Article (23) has been amended according to decision No (7) of 2011

## **Chapter Three: Clearing, Settlement, Transfer of Ownership and Custody**

### **Article (24)**

A company shall, within one week from the date of approval for the listing of its Securities in the Market, update the register of its shareholders' shares and deliver to the Clearing a copy thereof prepared in accordance with one of the electronic model formats used by the Market for the keeping of data, and shall also update the names of the shareholders whenever necessary.

### **Article (25)**

The Market shall, within one week from the date of its approval for the listing of any Securities therein, install a terminal in the office allocated to the registrar of the listed company to enable him to access the register for query purposes and to effect any required updating of the company's register.

### **Article (26)**

The Clearing shall undertake the following principal tasks:

- 1- To allocate numbers to investors and to supervise the same.
- 2- To operate the computer system for the shareholders' register on behalf of all companies whose Securities are listed in the Market.
- 3- To update the shareholders' register in accordance with Market transactions and other transfers between Brokers.
- 4- To confirm the updating of the shareholders' register in accordance with relinquishment by investors of share certificates.
- 5- To operate the Market's clearing system.
- 6- To issue orders for payment of residual amounts due to Brokers (if any).
- 7- To issue orders for collection of net amounts due from Brokers (if any).
- 8- To keep and administer Brokers' bank guarantees.

### **Article (27)**

The Market shall make rules regulating the following, and shall undertake any other tasks with which it is charged by the Market's board of directors:

- 1- The admittance of the public and the Brokers to the Clearing.
- 2- The opening of accounts with the Clearing.

- 3- The transferring of Securities from the Investor's account with the Clearing to his account with the Broker.
- 4- The registration of charges relating to Securities.

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

An Investor may submit a request to the Clearing on the model format prepared therefore, for confirmation of his ownership of shares which he claims to own and which are listed in the Market. The Clearing shall make a decision on his request within a period not going beyond ten o'clock in the morning of the working day following receipt of the request.

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

The number of Securities sold shall be taken out of the seller's account and placed in the purchaser's account upon the execution of any transaction.

#### **Article (30)**

Securities listed for trading shall be deemed to be fungible movables such that Securities of any given class may be transferred from the seller's account and placed in the purchaser's account in lieu of any other Securities of the same class.

#### **Article (31)**

A Broker which has undertaken a purchase transaction shall pay the net amount due from it in accordance with the report issued by the Clearing as to the net amount due, within the time specified by the Market, provided that such time does not go beyond the end of the second working day following the day of the trade. Payment shall be effected by the Broker issuing an order to its bank to transfer the required amount from its account to the settlement account. The Broker shall deposit with the Clearing a copy of such order before nine o'clock in the morning on the day the payment is due.

#### **Article (32)**

If a Broker breaches the provisions of the preceding article, the Clearing may call upon the bank which issued the guarantee for the Broker to make payment under it of any amounts due from the Broker.

### **Article (33)**

If a Broker causes delay in the settlement of transactions it is party to on more than two successive occasions, the Market may refer the Broker to the disciplinary council, this being without prejudice to the provisions appearing in the Law and the regulations and resolutions of the Market issued in implementation thereof.

### **Article (34)**

The Clearing shall issue an order for payment of the amount due to the Broker who has undertaken a sale transaction, in accordance with its report as to the net amount due, within the time specified by the Market, provided that such time does not go beyond the end of the second working day following the date of the report. Payment shall be effected by the Clearing issuing an order to its bank to transfer the required amount from the settlement account to the Broker's account with the settlement bank.

### **Article (35)**

The Broker shall pay the funds due to the Investor or credit them to such Investor's account with the Broker within a maximum period of two working days following the completion of the transaction.

### **Article (36)**

Transfer of the ownership of Securities in the Market and entry on its records shall be effected in accordance with the regulations issued pursuant to the Law. The entity issuing such Securities shall effect the procedures on its side for the transfer of ownership without delay.

### **Article (37)**

No company whose Securities are listed are in the Market may issue any certificates in respect of transfer of ownership of shares being held with the Clearing for the purpose of Trading.

### **Article (38)**

Registrars of companies whose Securities are listed on the Market may not issue certificates of transfer of ownership of shares being held with the Clearing, except in the following cases:

- 1- In cases of the transfer of ownership of shares from the register with the company to the Clearing in the Market in which the company's Securities are listed.

- 2- In cases of family transfers, transfers by way of inheritance and pursuant to court order and other cases where Trading in shares is permitted off the Floor, provided that here the Market is informed of this.

### **Article (39)**

The Market shall make rules regulating the following:

- 1- Cases of family and inheritance transfers, those founded on court orders and other cases where Trading in shares is permitted off the Floor as referred to in Article 3 of these regulations.
- 2- Cases where shares are transferred to and from the Clearing for the purpose of Trading.

### **Article (39/bis)\***

In the event of violation of the provisions of the law and SCA regulations, the Authority shall have the right to impose penalties or take the following measures against listed companies and investors, whether natural or legal persons:

- a. Warning.
- b. A financial fine of no more than one hundred thousand Dirhams.
- c. Suspending the investor for a period of no more than one year.

### **Article (40)**

These regulations shall be gazetted in the Official Gazette, and shall come into force as from the date of their gazetting.

**Fahim Bin Sultan Al Qasimi**  
**Chairman of the Board of Directors**

Issued in Abu Dhabi  
On 24 Dhu Al Qa'da 1421 Hijri  
Corresponding to 18/2/2001 AD

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\* Article (26) has been added to the regulation to decision No (46) of 2010