

The Regulatory Philosophy of the Securities and Commodities Authority

United Arab Emirates

2019



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Important Notice:

This is an awareness guide that aims to provide a general understanding of the regulatory philosophy of the Securities and Commodities Authority. It is not a legal deed in any way.

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Chairman's Message

The Securities & Commodities Authority (SCA) strives to take all actions to safeguard the rights of investors and to enhance their confidence in the UAE financial markets. It works tirelessly to improve the investment environment, thus developing this vital sector to achieve economic growth. This guide aims at painting a broad picture of the regulatory philosophy that SCA adopts to serve the interest of the national economy in line with the UAE Vision 2021 and the UAE Centennial Plan 2071, which aims to transform the UAE economy to a diversified knowledge economy as one of the leading economies in the world.

In fact, SCA's concept of regulation is associated with the roles it performs on the legislative, supervisory, and enforcement levels and its role as a regulator to the UAE capital market authorized to introduce legislations, supervising, licensing, and enforcing the law, in accordance with the best international practices and the standards set by the International Organization of Securities Commissions (IOSCO).

This guide examines in brief the key principles of SCA's regulatory philosophy, most notably competitiveness. The wise leadership of the UAE adopted a competitive strategy to support the national march toward development, in line with the UAE National Agenda 2021. Among the other key principles are transparency, which helps to create more confidence in financial markets, and future foresight, which is done according to a plan to anticipate and analyze the opportunities and challenges facing the financial sector early on and to come up with long-term proactive plans to address them. The governance of legislation design and drafting processes is yet another key principle. SCA's legislative framework and the flow of the legislative process are designed using a controlled mechanism that ensures quality, efficient, and effective outcomes at all stages of the legislative process. This reflects a clear legislative policy that is committed to transparency and a controlled methodology for the legislative processes and procedures. It also ensures ongoing review of the legislation in place and improvement of new pieces of legislation.

Finally, SCA takes into consideration the various economically-influential factors at the local and international levels. It has made tireless efforts to safeguard the rights of investors and to enhance their confidence in UAE-based financial markets. It constantly works to improve the investment environment to attract more investors and to enhance the investment climate, thus making it among the most competitive in the world. SCA will remain in a constant race to enhance market attractiveness and achieve growth in this vital and important economic sector.

We are sure that this will only come through combined effort, teamwork, enhanced cooperation with strategic partners and financial market institutions, and the development of strategic relations with leading bodies at the local, regional, and international levels to achieve our desired goal to make the country's markets among the world's most developed.

H.E. Abdulla Bin Touq Al Marri

Minister of Economy,
Chairman of SCA Board



CEO's Message

As part of its role as a regulatory authority of the UAE financial markets, the Securities & Commodities Authority (SCA) has spared no effort to strengthen its programs and initiatives that aim to improve the financial markets operating in the country, to create a favorable investment climate, to maintain a steady growth in the legislative infrastructure and the regulatory environment, and to enhance its status as a leading supervisory authority at the regional and international levels.

To this end, SCA has come a long way in laying down the foundations for the country's securities and commodities markets; regulating innovative financial services and products; building bridges of cooperation and communication with international institutions; and bolstering its standing and reputation at the local, regional, and international levels.

It has made tireless efforts in developing a legislative infrastructure that keeps abreast of the latest world market developments and ensures a sound financial market where the demand and supply forces interact. It has also worked to support financial market institutions, to raise the effectiveness and efficiency of inspections and supervision, to take proactive and punitive action, and to enhance investment awareness among all financial market participants.

SCA is keen to bring its performance in line with the areas and initiatives that are outlined in its strategic and operational plans and based on its mission, vision, and values that aim to improve the country's capital and commodities markets by ensuring the implementation of the principles of transparency, integrity, and fairness; fostering a culture of innovation; supporting institutional development; forging close partnerships with financial community actors and strategic partners locally and internationally; and empowering nationals in supervisory and specialized positions.

This guide reflects the ideologies and the regulatory philosophy upon which the activities and initiatives that SCA implemented over the course of the past years are based. Such initiatives have resulted in a qualitative leap at different levels.

There is no arguing that the regulatory philosophy—mirrored in the reformulation of SCA's mission, vision, objectives, and values; the introduction of a major change in SCA's organizational structure; and the implementation of initiatives and ambitious activities under SCA's 2017-2021 strategic plan—is central to empowerment and improvement which are based on understanding that progress comes through the best use of strengths, systematic planning, hard work, determination to improve, and keeping pace with our wise government's plans and aspirations.

Dr. Obaid Saif Al Zaabi

CEO



Introduction:

The role of the Securities and Commodities Authority (SCA) is to create opportunities for investing funds and savings in securities and commodities, safeguard the rights of investors, and facilitate the provision of funds to companies, thus ensuring financial and economic stability and serving the interest of the national economy in line with the UAE Vision 2021 and the UAE Centennial Plan 2071, which aims, in its third pillar, to transform the UAE economy to a diversified knowledge economy that is “among the world’s best and major economies”.

In this context, SCA’s mission is centered on laying down the foundations for the country’s securities and commodities markets infrastructure; regulating innovative financial services and products; building bridges of cooperation and communication with international institutions; and bolstering SCA’s standing and reputation at the local, regional, and international levels.

SCA has come a long way in developing a legislative infrastructure that keeps pace with the latest world markets developments and ensures a sound financial markets where the demand and supply forces interact, in addition to supporting market regulatory components, raising the effectiveness and efficiency of inspections and supervision, taking timely preventive action, and enhancing investment awareness among all financial market participants.

SCA is keen to bring its performance in line with the areas and initiatives that are outlined in its strategic and operational plans and based on its mission, vision, and values that aim at:

- improving the country’s securities and commodities markets by ensuring the implementation of the principles of transparency, integrity, and fairness;
- fostering a culture of innovation;
- supporting institutional development;
- forging close partnerships with financial community actors and strategic partners locally and internationally; and
- empowering nationals in supervisory and specialized positions.

There is no doubt that the coming period will witness more efforts to strengthen the investment environment and to create a favorable investment climate to attract investors by introducing legislation that regulates investment products, products ownership, trading mechanisms, supporting services, and supervision. This will help to improve the securities sector, upgrade the country’s markets from Emerging to Developed Market status, and take better advantage of the performance and profits generated by listed companies and of the country’s excellent infrastructure, as well as of the solid foundations on which the national economy is built.

Finally, SCA is sure that progress will come through the best use of strengths, systematic planning, hard work, and determination to improve and to keep pace with the UAE government’s plans and aspirations.

Securities and Commodities Authority



The Objective of This Guide:

This guide aims at painting a broad picture of the regulatory philosophy adopted by SCA for the capital markets sector to serve the interest of the national economy in line with the UAE Vision 2021 and the UAE Centennial Plan 2071, which aims, in its third pillar, to transform the UAE economy to a diversified knowledge economy that is “among the world’s best and major economies”.

Introducing the Securities and Commodities Authority:

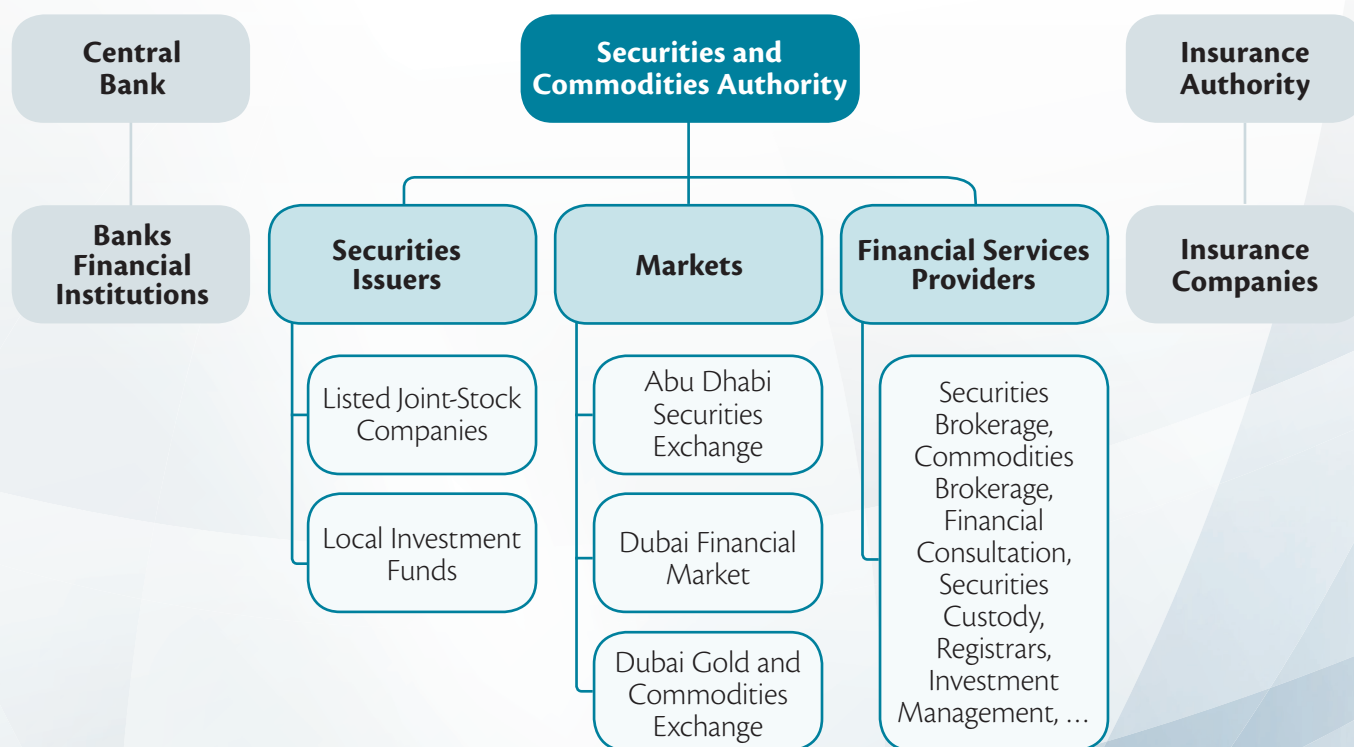
Establishment and Regulatory and Supervisory Role

SCA was established under Federal Law No. 4 of 2000 and reports to the Minister of Economy. It is headquartered in Abu Dhabi and has a branch in Dubai.

SCA enjoys juridical personality and financial and administrative autonomy. It has all the supervisory and enforcement powers needed to discharge its functions, in accordance with the provisions of the law and the implementing regulations.

SCA oversees the regulation and development of financial markets and introduces regulations, rules, and instructions needed for the implementation of the provisions of capital market regulations to create a favorable investment environment, enhance confidence, ensure proper disclosure and transparency among listed joint-stock companies, and guard investors and securities dealers against illegal acts.

Financial Supervisory Regime in the UAE





Vision, Mission, and Values:

Vision:

To build a sustainable investment environment within an advanced financial market.

Mission:

To safeguard the rights of investors, promote sound practices, and create an environment attractive to capital, using innovative systems.

Values:

- **Fairness and integrity:** to maintain the rights of all participants in securities and commodities markets and to strengthen the soundness and accuracy of the transactions executed.
- **Partnerships and cooperation:** to forge quality alliances and meaningful strategic partnerships to achieve mutual benefit and serve common interest in the capital market.
- **Transparency:** to provide sufficient information and data to all securities and commodities market actors simultaneously.
- **Creativity:** to adopt and implement the standards of excellence and innovation in designing and executing tasks.



Strategic Objectives:

- To strengthen the legislative framework needed for the development of UAE-based securities and commodities market.
- To safeguard the rights of investors in financial markets.
- To promote transparency and corporate governance practices.
- To ensure the provision of all administrative services in accordance with the standards of quality, efficiency, and transparency.
- To foster a culture of innovation within an institutional workplace.

Powers Granted by the Law:

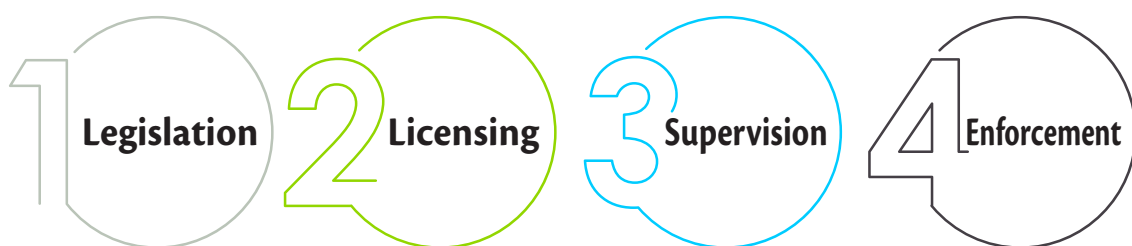
- To regulate and improve financial markets and to enhance the approaches, equipment, and the entities trading securities.
- To develop controls to limit risks associated with securities transactions.
- To develop, regulate, and oversee commodities and securities issuance and trading.
- To regulate and oversee the activities of entities falling under SCA's supervision.
- To regulate and monitor disclosures of information related to commodities and securities and their issuers.

The Regulation Concept:

SCA's concept of regulation is primarily based on the role it plays in introducing legislation, monitoring and licensing entities, and enforcing laws by virtue of the powers granted to it by Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority and Market. As part of its regulatory role, SCA:

1. Studies, drafts, and raises awareness of the needed legislation to regulate the relations of investors, companies, and financial markets in the country.
2. Licenses financial services companies and approves the issuance of financial products in these markets.
3. Monitors financial market risks in terms of monitoring:
 - issuers (listed companies and investment funds, for example);
 - providers of financial services and commodities (such as brokers and financial consultancies);
 - and individual and institutional investors.
4. In terms of enforcement, SCA obliges all parties to comply with the rules and regulations that aim at ensuring fairness and integrity. It imposes proper penalties on violators of these rules and regulations.

Regulatory Functions:





Key Principles of the Regulatory Policies Philosophy

SCA's regulatory philosophy is based on key principles that it adopts in all its businesses and in performing its role, according to its mission, values, and strategic objectives. They are as follows:

Competitiveness:

The global economy is moving in different directions due to ever-changing economic, social, and political factors and conditions. Therefore, the UAE National Agenda 2021 aims to establish the country as a capital of economy, tourism, and trade for over two billion people by shifting to an economy based on knowledge, innovation, research, and development and by strengthening legislation in key sectors.

To achieve sustainable development and secure prosperity, the wise leadership of the UAE adopted a competitive strategy to support the national march toward development. SCA plays a strategic role in competitiveness; it is competing with global financial markets within a framework governed by wise policies and the best international practices, thus enabling the UAE to build a flexible sustainable economy that benefits from the competitive advantages.

SCA's approaches towards competitiveness aim to build a financial sector that benefits from the flexible economic environment. Such environment allows capital to grow from attractive investment returns and strengthens the high-added value financial economy, thus promoting prosperity.

SCA also aims to improve the country's ranking in global competitiveness reports by working closely with its strategic partners to adopt the best policies and legislation that serve the aspirations of investors in the financial sector.

Future Foresight:

By using future foresight tools and methodologies and putting together the Future Foresight Plan 2050, SCA aims to anticipate and analyze the opportunities and challenges facing the financial sector early on and to come up with long-term proactive plans to address them, thus making qualitative achievements and serving the country's interests.

The future foresight methodology includes building future models and scenarios for the country's financial sector, while taking into account the local and global trends and ensuring that the existing regulatory technology and policies are in harmony. This is intended to keep pace with the fourth industrial revolution and to become a global leader in the regulatory field, in addition to building national capacities in future foresight.

SCA has in place regulations and mechanisms that make future foresight part of its

ongoing strategic planning. Every year, challenges and opportunities are reviewed and the future foresight plan is updated accordingly. This is then reflected in SCA's annual strategy.

SCA's future foresight plan is centered on themes that cover:

- the future of financial markets;
- the future of young investors;
- the future of technology and smart systems;
- the future of sustainability and financial inclusion;
- the future of the economy and economic security;
- the future of financial resources;
- the future of governance and government services;
- the future of international relations; and
- the future of cyber security, financial technology, and supervisory technology.

SCA works to promote the country's standing as a leading destination for sustainable financial sector by introducing initiatives and projects and exchanging knowledge on the future of this sector. Its efforts in this field include holding its annual conference and hosting events by global organizations, such as meetings of the International Organization of Securities Commissions (IOSCO).

Transparency and Disclosure:

Transparency is a key principle that creates confidence in financial markets; it is a value that SCA works to entrench. Transparency focuses on the provision of sufficient, timely information and data to all concerned parties in capital markets. It covers a number of areas, including: the transparency of financial markets, the transparency of securities issuers, the transparency of service providers, and the transparency of regulatory authorities.

Disclosure, on the other hand, means the provision of information to all investors and interested parties in securities markets simultaneously and equally. SCA works to ensure that all information relating to securities and commodities markets are accessible to investors in a timely, highly efficient, effective, and transparent manner. This will help them make informed investment decisions. Such information may be financial statements or other material information that impacts securities prices. This is aimed at ensuring fair trade and preventing

insider trading where few investors gain access to material information and accordingly make sell-and-buy decisions in light of this advantage, while the majority of investors may not have access to this information and may therefore make uninformed investment decisions. As part of its efforts to promote sound practices and to ensure the integrity of financial markets, SCA has made corporate disclosure a top priority since its establishment. Disclosure is extremely important in providing transparency to financial markets as market confidence and credibility are seen as highly sensitive and are the cornerstone of sound and fair securities transactions. They are important criteria for measuring market efficiency and development. SCA's transparency and disclosure regulations are intended to regulate disclosures made by securities issuers, whether pre-listing disclosures (as in the case of newly-incorporated companies or those that went public) or post-listing disclosures (of periodic financial statements or material information or events, which we cannot explain in detail here).

At the market level, transparency and disclosure of information relating to prices and the volume of trades and of other matters that are of interest to market participants are key issues that ensure the efficiency of markets and of pre- and post-trade transparency.

As to companies licensed to provide financial services, SCA imposes strict disclosure requirements relating to the investment and financial services and products these companies provide to help investors get a complete picture of investment advantages and risks and of the costs, fees, obligations, and any other matters that may affect their relationship with service providers or the latter's impartiality in providing investment advice, such as in the case of a conflict of interest.

SCA is committed to transparency in executing its processes and in carrying out its responsibilities in terms of the regulatory actions taken, whether related to the legislative, supervisory, or enforcement aspects in accordance with the best international standards on financial regulation. This helps to enhance the legal clarity of the regulatory framework of licensed and regulated entities and to increase the level of confidence among market and industry participants in SCA's regulatory role.

Governance of the Legislation Design and Drafting Processes:

By designing the legislative framework and the flow of the legislative process, SCA aims to apply a controlled mechanism that ensures quality, efficient, and effective outcomes at all stages of the legislative process to:

1. Increase the maturity level of legislation design and drafting, in accordance with a standard system that supports policies aimed at improving the decisions and regulations governing financial markets.
2. Guarantee support to decision makers in the senior management when it comes to managing regulations and decisions using recommendations based on facts and studies that take into account all factors affecting the soundness and efficiency of the proposed legislation.
3. Ensure that all related parties participate in the policy and legislation drafting stages.
4. Ensure that SCA's pieces of legislation and the standards for compliance with their implementation are timely introduced, consistent, and not contradictory to meet existing and future needs of the concerned parties in financial markets.
5. Ensure that the desired benefits and the intended results of the implementation of policies and legislation are achieved.
6. Ensure the implementation of a controlled mechanism for the revision of policies and legislation to ensure their sustained validity, their response to changes, and their ability to achieve objectives.

SCA's legislation governance includes three key aspects:



SCA's legislation governance is based on the following key principles:

- **Proportionality:**

The proportionality policy comes from the need to maintain a level of regulatory intervention (in the form of rules, constraints, penalties, or requirements) that is proportionate with what is needed to achieve the economic and regulatory objectives, in addition to the other targeted aims. This requires that any regulatory intervention be proportionate with the level of risk associated with a particular sector, product, or activity. SCA measures the legislative impact of all its regulatory and legislative procedures pre- and post-implementation to ensure that it is achieving its regulatory objectives without burdening licensed entities, listed companies, the economy, or the community with high costs that are disproportionate with its true objective. Maintaining proportionality helps to maintain the competitiveness of the country's financial sector, encourage development and innovation, and increase ease of doing business for companies in operation.

- **Consulting with Concerned and Affected Parties:**

SCA takes into consideration the following when engaging concerned parties, stakeholders, and parties affected by the legislation in the drafting/amending stages, which will support the potential success of the legislation once approved:

- Identify all parties affected by the legislation, including entities falling under SCA's supervision, supervisory authorities, stakeholders, and the community, according to a controlled mechanism and updated databases.
- Utilize all effective and appropriate methods of communication with different community members.
- Engage in continuous consultation, starting from analyzing a problem or an opportunity to identifying expected impacts and agreeing on the final wording of the legislation.
- Provide sufficient time for the parties affected by the legislation to provide their feedback and comments.
- Make all information available in a transparent manner, using effective and approved communication channels.
- Raise awareness among the concerned and affected parties of how the legislative process works and how their suggestions and feedback are dealt with, in addition to the acceptance-rejection method and the expected timetables for key outcomes.

- Ensure controlled, smooth, and flexible legislative process, in line with the circumstances surrounding the legislation and the extent of its impact.
- Conduct ongoing assessment of the legislative process and improve the quality of the consulting process using innovative ways.

- **Commitment to Internationally-Recognized Standards and Principles:**

SCA is an active IOSCO member and is keen to bring its legislation and regulations in harmony with international standards and principles. This is evident from the rules and regulations it introduces to regulate the capital markets, in accordance with IOSCO's principles. For this reason, SCA introduces, reviews, and amends draft rules and regulations relevant to its work and monitors their improvement in line with the best international standards and practices. It also reviews the relevant legal publications in line with the international legal developments and their impact on UAE financial markets.

- **Handling Risk:**

SCA's role is to regulate securities and commodities markets and its mission is to safeguard the rights of investors, promote sound practices, and create an environment attractive to capital. Therefore, in line with IOSCO's requirements, SCA's philosophy has been to identify internal and external risks, prepare comprehensive risk reports, and manage risks to mitigate their impact. There are micro-level risks (relating to products, mechanisms, services, or entities operating in the securities industry) and macro-level risks. When it comes to the latter, SCA cooperates with other supervisory authorities to identify and handle risks to the financial system, which is the bedrock of stable and growing markets.

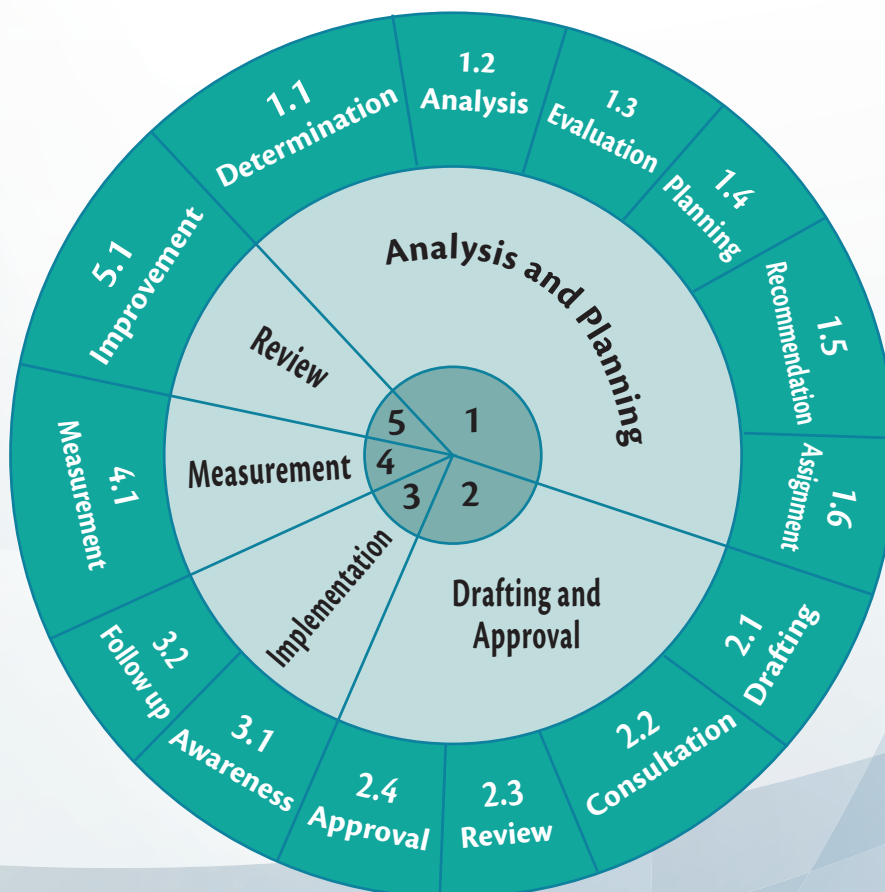
Explaining the methodology for legislative processes and procedures:

The general framework of SCA's legislation drafting methodology explains the life cycle of the legislation drafting, in addition to determining the roles and responsibilities of concerned parties, the flow of processes, and the documents and analytical tools used. This methodology has been divided into five main phases. Each phase is then divided into a set of processes, steps, and procedures that aim to consider all success factors which ensure that the legislation being drafted is efficient and effective and that it will achieve the desired results once implemented.

The five phases are presented in the following diagram:



The methodology for legislative processes and procedures (detailed):



Financial Inclusion:

SCA seeks to promote financial inclusion by ensuring that all community members have access to financial services and that a wide range of innovative, cost-effective services are available through service providers. This can be done through various educational and awareness-raising methods and applications, such as conferences, training programs, and modern technological applications. It can also be achieved by creating products especially tailored for low-income groups and other segments of the community. This aims at:

1. facilitating equal, fair, and wide access to products;
2. employing financial technology to get to a larger number of investors;
3. easing account opening requirements (identification documents, for example);
4. regulating the process of financial services pricing; and
5. monitoring the practices of institutions offering financial services to limit discrimination in access to these services.
6. SCA will have a written policy about the role it plays in financial inclusion and a comprehensive plan that will be executed in cooperation with strategic partners and concerned parties.

Innovation:

SCA is working to create an environment that fosters innovation through the development of a supportive infrastructure. This includes focusing on human resources and smart systems, sophisticated e-systems and using modern innovation tools in everyday business, thus encouraging the development of innovative services and achieving customer and employee happiness.

To this end, SCA is implementing a number of initiatives that help to achieve its innovation-related strategic objective, including:

- **Adopting the latest innovation tools and techniques:** providing modern innovation tools and techniques and using them in everyday business, such as brainstorming sessions, innovation labs, and innovation toolkit.
- **Building innovation capacity in employees:** SCA aims to develop the innovation capacity in its employees and to train them to use a variety of innovation tools that will help them to come up with innovative ideas to improve services and enhance the general performance.
- **Enhancing processes to foster innovation:** using innovation as a tool to improve services and processes. This initiative supports the implementation of innovative projects with internal and external parties to improve services and achieve customer happiness.

Sustainability:

As a policymaker and a government regulator of the securities markets, a key driver of the economy, SCA assumed the responsibility to use its role to stimulate UAE capital markets and to support the national sustainability agenda and the country's sustainable development goals through all areas within its jurisdiction. These areas include:

1. providing new, effective means and methods to ensure the funding of sustainability projects;
2. promoting corporate governance practices by incorporating sustainability in strategic decision-making policies;
3. encouraging high-quality disclosures about sustainability-related matters;
4. encouraging investors and their agents, such as investment managers, to become advocates of sustainable investing and providing them with the information, tools, and channels to do so; and
5. incorporating sustainability concepts in SCA's regulatory policies, where appropriate.

SCA's key role is to contribute to the creation of a favorable environment for capital users and providers. The country's commitment to sustainable development lies at the heart of its vision and national development plan. From a capital markets perspective, the ultimate goal is to promote long-term financial stability and economic growth.

SCA can play a fundamental role in creating a favorable environment and an appropriate framework that informs the behavior of industry participants to achieve the desired result, which is in this case long-term sustainability. This is done by developing a financial regulatory framework that encourages the investing community to focus on long-term sustainable and green investment, thus driving transformation in the investment industry to sustainability-driven investing and highlighting its importance on the long run, in addition to rearranging market incentives, limiting risk, improving market liquidity, and providing an integrated market system that supports sustainable investing and financing.

Awareness:

SCA is keen to execute its annual awareness plan to raise awareness about the legislation introduced using methods that guarantee enhanced awareness among the affected parties. Increasing awareness among all concerned parties and those affected by the implementation of the legislation is important to ensure compliance with the provisions of the law and the regulations, to limit violations, and to mitigate the negative impacts that may cause harm to one party if the provisions of the legislation were not implemented or bring benefit to a party at the expense of the other.

Raising investor awareness is one of SCA's key responsibilities. It does so by employing a variety of effective methods, such as the launch of systematic campaigns that target a wide spectrum of investors, including institutions and individuals.

SCA is also keen to educate and enhance awareness among community members of its roles, responsibilities, and jurisdiction over securities and commodities markets by holding workshops and seminars for school and university students and community organizations. This shows the importance of SCA's role in maximizing investment welfare in the UAE and the world.

Investor Protection:

Providing protection to investors is one of SCA's key responsibilities and is in line with its mission. This is achieved through the rules and regulations SCA introduces and enforces to regulate securities and commodities markets.

The general framework for these rules and regulations is created to ensure fair markets in which risks associated with trading transactions are kept to the minimum. To complete and develop its regulatory framework, SCA seeks to guard investors against potentially fraudulent, manipulative, and deceptive practices, as well as against insider-trading. It does so through close and careful supervision of securities issuers, accredited individuals, and market trades in general.

The provision of information to the public is a key element of investor protection and, therefore, SCA enforces disclosure of information related to securities and their issuers, information related to financial statements and material developments, and information important to the securities prospectus. Having access to information sources helps to protect investors through the creation of an environment that promotes wise investment decisions. Among the other methods used as part of investor protection is imposing a maximum ceiling on brokerage fees as well as regulating fees and other costs imposed by financial markets on the transactions executed there.

Investor Empowerment:

The legislation in force in the UAE gives many rights and privileges to market participants and shareholders, most notably:

1. shareholders' right in companies traded on stock exchanges;
2. shareholders' right to ownership in these companies and to ownership transfer;
3. shareholders' right in the profits generated by these companies;
4. shareholders' right to share in these companies in case of liquidation;
5. shareholders' right to take part in decision-making by attending and voting at general meetings of shareholders; and
6. shareholders' right to elect and remove board members.

Shareholders also have the right to monitor corporate performance by having access to performance-related information and data and to hold corporate boards to account. They also have the right to question auditors and to make complaints with the competent authorities against any market actor if they have justified reasons or sustained direct damage.

Licensing:

SCA licenses companies wanting to engage in securities activities and gives approvals to certain securities activities that do not require licensing. It also accredits natural persons practicing securities-related professions. The securities activities that are being licensed by SCA are internationally-recognized activities licensed by global counterparts. In this case, the activities are either governed by licensing regulations introduced by SCA or are being engaged in without being regulated by SCA or might even be novel and have not been regulated before—in which case, SCA carefully considers the activities and examines international practices and then introduces appropriate regulations and provisions that are consistent with the existing practices. On the other hand, SCA may exempt some license applicants from complying with certain provisions, depending on the applicant's nature, professional record, the experience of its staff, the nature of activities it is engaged in, in addition to any other licenses it may have obtained from other regulatory authorities—whether in the UAE or abroad. All of this follows the detailed consideration of the cases by the Licensing Department, which may then present its recommendations to SCA's Technical Committee to discuss the cases and make recommendations. Novel activities, on the other hand, are presented to the Technical Committee and are then discussed with technical members and the Technical Office.

SCA oversees financial products issued in the UAE and foreign financial products that are being promoted in the UAE as well as those that have been dually-listed on a UAE exchange. This is a key, internationally-recognized role played by counterpart supervisory authorities to regulate and ensure the stability of financial markets and protect investors.

SCA examines the best international practices concerning the oversight of financial products. It monitors novel products and financial market practices with the aim of developing a supervisory framework to ensure investor protection in line with the best international practices and in a manner suited to the conditions prevailing in domestic markets.

SCA may give exemptions from compliance with its regulations depending on the nature of the issuer of the financial product or the target investors while taking into account the best international practices. Financial products issued by the UAE government and government-owned subsidiaries, for example, are exempted from the requirement to register with SCA, under the promotion and introduction regulations, given that such products carry limited risks as they are being issued by the UAE government that received high credit rating. Some financial promotions targeting qualified financial institutions in a private placement may be given

exemptions as they are considered qualified investors capable of making investment decisions and assessing investment opportunities in a professional manner.

When it comes to exceptional cases, novel financial products, or industry developments, the Registration and Issuance Department examines them carefully after coordinating with the Research and Risk Department to get to know the best international practices. It then presents the recommendations to the Technical Committee, which, in turn, discusses these matters and presents them to the board of directors to enact the necessary controls or give exemptions, where required.

Supervision and Compliance:

SCA exercises its supervisory role to safeguard the rights of investors and related parties and to protect the country's financial services sector. It works to increase the efficiency of its supervisory and regulatory functions over listed companies, thus increasing compliance among SCA-licensed companies with the law, regulations, decisions, and circulars issued in this regard.

It also seeks to promote sound financial practices among UAE-based market participants by developing annual inspection plans and monitoring market trades.

Enforcement and Dispute Settlement:

SCA exercises its executive authority over illegal practices in financial markets to ensure fair, transparent, and adequate securities and commodities transactions and to guard investors against unfair, fraudulent, deceptive, or manipulative practices.

SCA's Enforcement Department plays a fundamental role in dealing with violations in the securities and commodities sector and in settling complaints and disputes associated with market trades. This is done with the highest levels of effectiveness and in line with the internationally-approved standards. **Its key functions include:**

- Considering violations and reports and taking all the necessary actions, including conducting investigations and imposing penalties on violators or referring them to the competent investigating authorities, in addition to the actions that follow, such as posting notes and publishing names of violators.
- Receiving and handling complaints and disputes associated with market trades and providing relevant recommendations.

Corporate Governance:

Corporate governance is an important matter to all local and international companies in today's world. The financial crisis that the world economy suffered made corporate governance a priority. Corporate governance laws and regulations around the world focus on limiting the use of administrative power in a manner that is detrimental to shareholders' interests. They intend to:

1. urge corporate boards to have a more active role;
2. strengthen internal control;
3. monitor the implementation of strategies;
4. determine the roles and powers of shareholders, the board of directors, the executive management, and stakeholders; and
5. highlight the importance of transparency and disclosure.

Corporate governance is a reform approach and a new mechanism that tends to promote fair transactions by setting determinants that serve the public interest and the rights of shareholders.

SCA's role is evident in ensuring that shareholders get all their rights, especially:

1. the right to share in dividends;
2. the right to share in assets upon liquidation;
3. the right to attend general meetings of shareholders, participate in deliberations, and vote on resolutions;
4. the right to dispose of shares;
5. the right to monitor the work of the board of directors and to hold board members to account; and
6. the right to ask questions and request information in a manner that is neither detrimental to the company's interests nor contravenes capital market regulations.

Corporate management plays an essential role in ensuring the implementation of wise governance principles and sound practices. This will guarantee compliance with the best practices and standards and with the legal and regulatory requirements. It will also ensure that companies are achieving their strategic objectives, best using their resources, and balancing their relations with stakeholders. Governance standards include procedures for facilitating and bringing transparency and credibility to decision-making and for creating fair, competitive, and transparent capital markets and business environment. This role is fundamental as it complements the supervisory role played by regulatory authorities and ensures the highest levels of compliance within the company. To this end, SCA seeks to implement the highest standards of governance across listed companies, licensed entities, and self-regulatory organizations.

The culture of governance aims at making the best use of corporate resources and capabilities by creating a business environment based on responsibility, supervision, compliance, and observing the principles of clarity and transparency in setting corporate objectives and strategic business plans and in outlining the rights and obligations of each entity.

Conclusion:

SCA takes into consideration the various economically-influential factors at the local and international levels. It makes tireless efforts to safeguard the rights of investors and enhance their confidence in UAE-based financial markets. It constantly works to improve the investment environment to achieve economic growth in this vital and important economic sector.

SCA will continue to cooperate and work with its strategic partners and financial market professionals as one team and will engage them in its future projects, which is an important part of its success.

To be a leader and to achieve excellence, SCA will continue to support the legislative regime, adopt the best international practices, and forge strategic partnerships with leading entities at the local and international levels.

It will always keep its doors open to suggestions, feedback, and comments from all related parties in UAE-based markets. This will enable investors to achieve their aspirations, make the investment climate in the UAE the world's most competitive, and upgrade our domestic markets to Developed Market status.

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