

Content

Cover

UAE capital market upgraded to “Emerging Market” by MSCI

2



SCA Board Approves Regulation for Rights Issue

6



SCA calls for setting up XBRL Committee at GCC Level

8



Market experts applaud H.H. Sheikh Mohammed bin Rashid's Vision of making Dubai Capital of Islamic Economy

18



SCA to receive dispute resolution requests online

25



18 Companies provide financial consultation, financial analysis and safe custody services

26



Listed companies distribute dividend of AED 23.76 billion in 2012

32



The UAE stock markets have become a member of the “Emerging Market” club of the Morgan Stanley Capital International (MSCI) index, following the latter’s decision last June to upgrade the UAE to the new status. Portfolio and mutual fund managers engaged with the MSCI participated in the voting process conducted by the Index which has a total estimated assets of about seven trillion US dollars.

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UAE capital market upgraded to “Emerging Market” by MSCI

Decision to be effective from next May

The UAE stock markets have become a member of the “Emerging Market” club of the Morgan Stanley Capital International (MSCI) index, following the latter’s decision last June to upgrade the UAE to the new status. Portfolio and mutual fund managers engaged with the MSCI participated in the voting process conducted by the Index which has a total estimated assets of about seven trillion US dollars.

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The SCA expects MSCI Index upgrade of UAE markets to emerging market status to reflect positively on the local stock markets in the near future. It said the elevation of the markets reflects increasing international

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H.E. Sultan Al-Mansoori:
The upgrading reflects increasing international confidence in our local markets and the shareholding companies

“

confidence in the local markets and the good performance of the public stock companies, adding that it has exerted relentless efforts in the past years to achieve the promotion and reiterated its commitment to continue to work harder for further upgrade of UAE markets.

Commenting on the new development, H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and SCA Board Chairman, said: “Undoubtedly, the elevation of UAE markets from the Frontier to Emerging Market status by the MSCI came to crown the SCA’s sustained efforts as part of a comprehensive strategic plan, aimed at achieving greater development of the country’s financial markets and boosting the national economy, in accordance with the best international practices.

MSCI Index shall list the Abu Dhabi Stock Exchange (ADX) and the Dubai Financial

Market (DFM) on its list of “Emerging Markets” effective from May 2014 to match with its H1 review of indexes. The MSCI’s emerging market index consists of 21 countries, notably: China, South Korea, Brazil, Taiwan and Egypt.

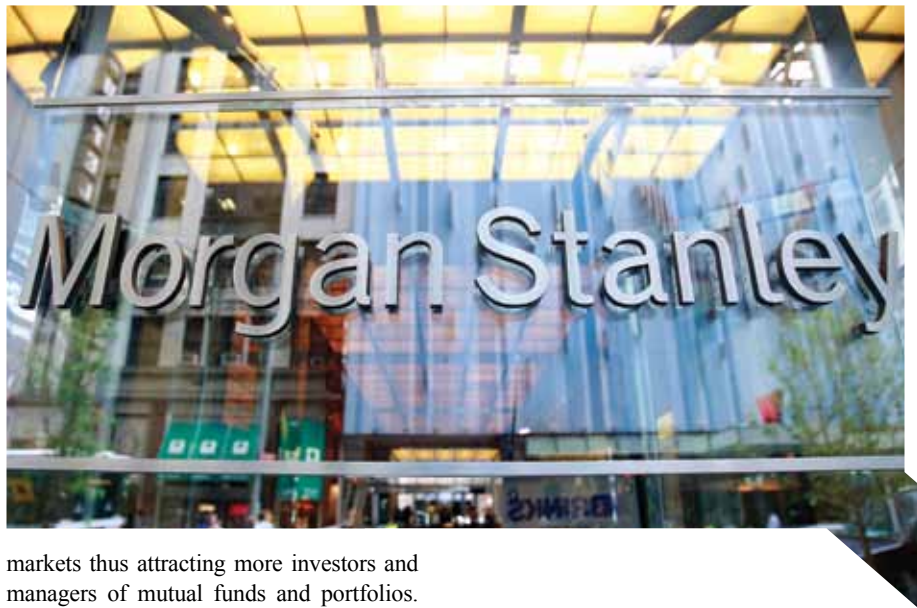
“The UAE’s ability to achieve the highly anticipated elevation, in fact, is a reflection of the country’s development drive and sustained support under the wise leadership of His Highness Sheikh Khalifa bin Zayed Al-Nahyan, President of the United Arab Emirates and His Highness Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai,” Al-Mansoori added.

He pointed out that the elevation was in light of a number of financial market technical criteria and other objective reasons including the country’s economic development indices (like the GDP, per capita income and growth rate), the size of the economy and liquidity, market accessibility and other issues which reflect the strength of the UAE national economy, which are not available in many emerging markets, even in some advanced markets.

He said, the SCA, in accordance with its development strategy and policy, and in view of its past experience in dealing with the rating agencies, set up a working team, in collaboration with the financial markets, which work sustainably according to scientific methods to meet the requirements of the elevation, like the market’s institutional framework stability, and has succeeded in providing an advanced investment and legislative environment with regulations that protect the rights of investors and meet the needs of investors from various parts of the world, adding that its market criteria also include legislations and competitiveness frameworks and free flow of information.

Al-Mansoori said he expects the decision to elevate the UAE market status to reflect a value addition to the local markets and a giant stride forward as it certifies that the UAE had met all the requirements of the international agency to deserve this status on its index.

“I also look forward to seeing the new status of Emerging Market on the MSCI index contribute in shedding more light on UAE



markets thus attracting more investors and managers of mutual funds and portfolios. This, hopefully, would boost internal liquidity of the UAE market, enhance confidence on and give greater in-depth to the market in the medium and long term, giving it more power and boosting its competitiveness status at the international level,” he added.

He noted that the elevation reflects increasing international confidence in the local markets, making them attractive to the eyes of the international credit rating agencies. “Hopefully, this will reflect positively on the markets and would give a major push forward to them, taking them to a new era of development and international attraction,” he added.

Several initiatives:

The SCA started with a number of initiatives and efforts, which started some years ago with the contacting of the international rating agencies, including the MSCI, FTSE and Standard and Poor’s (S&P), providing them with the required information. These efforts has paid off in the past as the UAE markets gained elevation to the Second Ties Emerging Market status by the FTSE, laying the ground for ultimate elevation to “Emerging Market” status, in addition to listing the UAE markets under the Russell Investment’s “Emerging Market” Index – the only country to achieve that from the Gulf Cooperation Council (GCC) states.

In order to qualify for the MSCI Index,

The SCA expects positive results from the MSCI upgrade of our local markets.





The achievement will lift up UAE markets to their right position on the emerging market map



Dear PJSC Officer,

To save time and efforts, you can renew through the SCA website www.sca.gov.ae your company's registration and record. You can also apply for registration of a foreign company, the cancellation of a company's registration, get approval to convene ordinary or extraordinary general assembly meeting, obtain "To Whom It May Concern" certificate and apply for issuance of debt instruments.

the SCA took a number of measures, starting with thorough study of MSCI's rating criteria. It went on to supply the agency with all the required information, which the SCA explicitly explained during a series of meetings between the two sides. The SCA also consulted and coordinated efforts with its partners, including the markets and brokerage firms, to take all the steps that would boost foreign investment, encourage investors to register with brokerage firms, implementing the "Know Your Client" program and meeting all the requirements of the credit rating agency within the stipulated period.

Legislative Regulations:

The SCA said the above-mentioned actions led to the issuing and implementing of a number of legislative regulations as required by the agency, the amending of other regulations, the licensing of new financial services and the taking of all the necessary measures, adding that the SCA issued a number of new regulations, including regulations for Delivery versus Payment (DvP), Securities Custodian, Margin Trading and regulations that support corporate investment like regulations for Mutual Funds, Market-maker and its related regulations like the regulations for Short-Selling, Securities Lending and Liquidity Provider, in addition to amending the regulations for

brokers and corporate governance.

It said it was able to enhance its market legislative infrastructure by issuing a number of regulations like the DvP, securities custodian and Regulation for Capital Increase Rights Issue, which was passed recently, adding that the SCA is also working hard to ensure liquidity increase on the local markets, offering new products for local and foreign investors, while strictly implementing the rules of disclosure, transparency and corporate governance to boost confidence on the local markets.

In addition to the above, the SCA also took other steps to facilitate the issuance and subscribing of securities by adopting an internationally recognized mechanism for that operation, like the book-building. It licensed a number of institutions to offer custodian and margin trading services, provided mechanisms and tools that help promote investment and minimize risk, came up with a mechanism that increases the rate of foreigners' stakes in public joint stock companies in accordance with the best international practices and requirements of the international agencies, without compromising the strict application of UAE laws concerning money laundering, while on the other hand, the SCA continued with its initiatives of developing the performance and training of brokerage company employees to improve their professional skills.



Coordination and consultation:

On the procedural front, the SCA set up a number of working groups and organized many coordination and consultation meetings with the Abu Dhabi Stock Exchange (ADX), the Dubai financial Market (DFM), the Dubai financial Services Authority (DFSA) and the Dubai International Financial Center (DIFC). It also held several meetings with UAE-listed companies under the MSCI Indexes facilitating meetings between the latter and the companies through whom the agency evaluates the impacts of the UAE'S regulatory environment. The SCA continued to follow up these companies and the securities custodians in the country within this framework, while holding, on the other hand, regular meetings with the regional office of the MSCI to brief the latter about latest developments on the local markets and to receive a feedback on areas that need improvement.

The SCA also participated in presentations made for major foreign investors covered by surveys conducted by renowned international investment institutions like the Russell 20-20. The surveys cover 70 major international mutual funds and portfolios with total assets of over US\$5 trillion.

On the other hand, the SCA has also avoided the issuing of any decision that might be construed by the international rating agencies to restrict the movement of investment.

Upgrading criteria:

Generally, MSCI criteria is based on five major aspects: opening up for foreign ownership, free flow of capital to and fro the country, institutional framework stability, effective operation framework and strict adherence to corporate governance and best practices criteria. But there are other issues of great significance which are also under serious consideration. They include economic development (like the GDP, per capita income and growth rate), economic size, liquidity and market accessibility, including having three companies with market value not less than AED500 million and with rate of share rotation of above 20%. All these criteria have been met by the local markets.

The SCA was able to enhance its market legislative infrastructure by issuing a number of regulations like the DvP, securities custodian and Regulation for Rights Issue, which was passed recently. The SCA is also working hard to ensure liquidity increase on the local markets, offering new products for local and foreign investors, while strictly implementing the rules of disclosure, transparency and corporate governance to boost confidence on the local markets.

Sticky points settled efficiently

The SCA said the most important points outstanding with “Morgan Stanley” were quite efficiently settled. These outstanding points relate to compulsory sale within the process of delivery versus payment (DVP), especially those related to charging the loss from unsuccessful trading deal against the investment institution.

It pointed out that the system was modified so that stocks are delivered at the same time at which the value of the transaction is paid, which means that neither the seller nor the buyer will be exposed to the risk of non-compliance by the other party with the required payment or delivery of stocks. The system also allows for monetary compensation to the buyer, which was seen by MSCI as one of the most important factors to classify the market as an emerging market. The experience has demonstrated over the past few months the effectiveness and success of the application of this system as it has attached great importance to the protection of the investors' rights. An investor, who is trading through a custodian, can now reject the sale or purchase transaction if it does not comply with his order. This means that the mechanisms of applying the system have succeeded not only in ensuring the transfer of ownership of the shares sold concurrently with the receipt of the value of those shares, and vice versa, but also in reducing the risks associated with the execution of transactions. In addition, they also allow the local custody institutions to reject the settlement of sale or purchase transactions, which ensures that the securities remain under the full control of those institutions negating the need to act according to double accounts. Thus, it is clear that the issue of DVP has been addressed in a manner consistent with the international standards.

Additionally, the SCA said, the obstacle of liquidity was eliminated since the end of last year with the high levels of liquidity and remarkably high levels of daily trading. The basics of the markets has experienced positive changes as of the fourth quarter of last year and during the current year, with the entry of the local and foreign capital funds into the markets to take advantage of the attractive investment opportunities.

As for the ownership requirement or, more accurately, the “allowable ownership percentage of foreign investors in companies under the UAE laws” -which has been one of the most important requirements to join the “Morgan Stanley” index for emerging markets-, the SCA and the markets have encouraged public shareholding companies to open up for ownership by foreign investors, which increased the number of companies that allow ownership by foreigners in accordance with the Companies Law (which grants the right to companies to open the door for ownership by foreigners at variable percentages up to a maximum of 49%). This allowed more investment opportunities for non-UAE investors (both individuals and corporate) in the UAE markets. However, it should be noted that there was an agreement to accept only the companies that offer ownership to foreigners in the emerging market indices in order to overcome the issue of foreign ownership. It should be noted that there are financial markets which joined the index although the percentage of foreign ownership in the capital of their companies was less than the UAE market.





During a meeting presided by HE Sultan Al-Mansoori SCA Board Approves Regulation for Rights Issue

The Regulation will provide new investment options and give greater in-depth to local financial markets

XBRL to be compulsory on listed public joint stock companies and brokerage firms from 2014

The board of directors of Securities and Commodities Authority (SCA) has approved a draft regulation for trading in capital increase issue rights. The approval, which came during a board meeting, held at the SCA's Dubai headquarters and presided over by the board chairman, H.E. Sultan bin Saeed Al-Mansoori, Minister of Economy, was part of the SCA's regulatory and oversight role and reflects the SCA's commitment to issuing regulations that would sustainably organize business transactions of the local markets, giving the latter greater in-depth and providing it with new investment tools.

The board also approved during the meeting a suggestion to make implementation of XBRL compulsory upon public joint stock companies in the country.

H.E. Mohammed bin Ali bin Zayed Al-Falasi, Deputy Board Chairman, H.E. Abdullah Salim Al-Turifi, SCA Chief Executive Officer, H.E. Mubarak Rashid Al-Mansoori, H.E. Abdullah bin Ali Al-

Hamli and H.E. Butti Khalifa bin Darwish Al-Falasi, attended the 18th meeting of the fourth board.

H.E. Ibrahim Al-Za'abi, Deputy CEO for Legal Affairs and Issuance (Board Rapporteur) and H.E. Maryam Al-Suwaidi, Deputy CEO for Licensing Affairs, Supervision and Enforcement (Board Coordinator) were also present at the meeting during which the board reviewed measures taken so far to execute decisions and recommendations issued during its previous meeting.

Rights Issue:


In accordance with the powers vested into the SCA board by virtue of Article (4) of Cabinet Decision No. (12) of 2000 concerning the listing of securities and commodities, which made the seeking of approval of SCA board mandatory before any security is listed in the local markets, the board approved a Regulation for Issue Rights. The Regulation will provide new investment options and give greater in-

depth to local financial markets. It also seeks to further develop the markets and to allow the trading of new securities for more relief for shareholders of listed companies, giving them priority of trading in their capital increase issue rights in accordance with the best international practices.


The Regulation allows a shareholder who does not want to or cannot subscribe for the share increase to sell his rights to for financial benefit. This new financial tool is arguably an addition to the markets and will further boost trading on those markets.

The regulation was issued after going through various stages during which its draft was published on the SCA website to invite inputs and feedbacks from interested persons and all other stakeholders. The feedbacks and contributions were taken into consideration in the final draft of the regulation.

The 7-article Resolution consists of the definition of terms and phrases, general rules, the procedures involved in and distribution of the issue rights to shareholders, while Article 4 dealt with the listing and trading of issue rights, which is subjected to the rules of trading, clearance, settlement and commission applicable to shares.



The Regulation allows a shareholder who does not want to or cannot subscribe for the share increase to sell his rights



Priority:

Article (5) states that holders of Issue Rights should be given the priority to trade first in the capital increase issue rights at the end of the clearance and settlement period and urged the market to put in place the technical checks and balances to effect this rule. The market shall also send the final record of the issue rights holders to the company at the end of the final day of clearance and settlement period regarding the trading of those rights to allow decision to be made in accordance with the details of the records.

Article (6) outlines the rules governing the capital increase issue rights, as distribution of the capital share increase will be made to issue rights owners based on their stakes rights before any excess of shares will be distributed to those who requested for more than their rights and the remaining excess shares offered for public subscription.

XBRL:

Meanwhile, the board has also approved a suggestion to make the implementation of XBRL compulsory on listed public joint stock companies and brokerage firms in view of the success recorded during the trial period and the benefits the markets will be deriving from the implementation of the system.

The XBRL system will be implemented from beginning of 2014, when the annual reports of the year 2013 will be announced in accordance with the system, while brokerage firms will also be making disclosure of their financial statements, financial liquidity, segregation of accounts and financial liability reports. All companies who will be subjected to the new system shall be notified early to allow them enough time to prepare technically for successful implementation of the system.

The board discusses studies on trading by new and small-scale companies

The SCA board has given directives for the setting up of a joint committee between the SCA and local financial markets to draw up the necessary technical and legal rules for organizing the listing and trading of stocks of new, small and medium companies.

During the 16th meeting of the fourth board, which was held in Dubai, the board also gave the directives for the quick preparation of a report about the committee's work and progress of work on the project to ensure its completion on time and for the committee to get in touch with the consultancy company contracted for the review of the rules to be according to best international practices, including the rules for listing disclosure and corporate governance to be implemented,

or having an independent trading screen for those stocks, or selecting the most appropriate trading period for those stocks and other related issues like the procedures and rules governing the operation of the market.

H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy presided over the meeting which was attended by H.E. Mohammed bin Ali bin Zayed Al-Falasi, Deputy Board Chairman, H.E. Abdullah Salim Al-Turifi, SCA Chief Executive Officer, H.E. Mohammed Ali Ahmed Al-Dhahiri, H.E. Abdullah bin Ali Al-Hamli and H.E. Butti Khalifa bin Darwish Al-Falasi.

Also present at the meeting were H.E. Ibrahim Al-Za'abi, Deputy CEO for Legal Affairs and Issuance (Board Rapporteur),

H.E. Maryam Al-Suwaidi, Deputy CEO for Licensing Affairs, Supervision and Enforcement (Board Coordinator).

The board discussed a number of securities industry-related issues, including the following:

The board reviewed a report issued by McKenzie International following a research and study conducted on the performance of the SCA and the UAE markets. The report, which highlighted the strong and weak points in SCA's performance over the years and improvement opportunities, shows that the SCA has made a lot of achievements over the years. It also exposes many areas that need further development concerning the role of SCA's strategic partners for better coordination and cooperation.





SCA calls for setting up XBRL Committee at GCC Level

Applauded for initiating the application of the system in the Middle East

The XBRL International Inc. (XII) has praised the UAE for its leading role in the application of the XBRL system in the region, at a time the UAE is calling for the setting up of an XBRL Committee at the regional level of the Gulf Cooperation Council (GCC).

The Securities and Commodities Authority (SCA) has recently organized at its Dubai headquarters a workshop under the theme: “Financial Statement Transparency Using the XBRL” for representatives of market regulators from GCC member states.

The SCA showcased its rich experience in XBRL during the workshop, which was also attended by representatives of the GCC Secretariat and those from market regulators of GCC members states as well as those from the Qatar Financial Center Regulatory Authority and from the central banks of Qatar and Bahrain.

The workshop aims at highlighting the XBRL system, which is being used by many of the advanced international markets. It is also to outline the value it will add to GCC markets, in terms of enhancing transparency, facilitating the release of financial statements and boosting corporate governance, taking into consideration the gains that can be made through concerted

efforts of GCC markets in adopting this system which include attracting more long-term corporate investments to GCC markets.

Addressing the attendance, which include the Chairman and experts of XII, H.E Mohammed Al-Hadari, SCA Deputy CEO for Organization and Support Services, called for the setting up of a special XBRL Committee at the GCC level and expressed UAE’s readiness to share its experience and provide support for the committee, suggesting that the proposed committee should be in the form of the XBRL – UAE.

Al-Hadari, who is the Chairman of XBRL – UAE, said in his keynote address that the aim of organizing the workshop is to gather, research and analyze the vital role XBRL plays in enhancing transparency in financial markets and in facilitating sound decision making, adding that XBRL’s significance is not limited to the financial markets alone but goes further to include monetary markets, banking and all other bodies related to preparing and analyzing of financial statements, like the central banks, banks and auditing firms.

He pointed out that the workshop will be highlighting various aspects of XBRL and the advantages of adopting the system in terms of rapid disclosure of regular financial

UAE was the first in the region to adopt and implement the XBRL system

statements or in terms of rapid and more efficient analysis of financial statement, taking into consideration the system's astonishing capacity in categorizing financial statements which facilitates the conducting of vertical and horizontal comparisons and in-depth analysis with utmost accuracy.

In his presentation titled "The potential for XBRL in the region" Tony Fragnito, CEO of the XII, started by giving overview of the XII and XBRL benefits and case study. He said XBRL is the predominate standard in business information processes which communicate economic information by 2015.

On XII, he said it is an independent non-profit consortium which has successfully achieved a number of goals through the significant contributions of volunteers, regulators and vendors as well as liaisons with complimentary organizations.

He pointed out that XBRL ensures transparency, quality and timeliness, citing the benefits realized with XBRL as including: the XBRL provides interoperability and facilitates the efficient reuse of data during the preparation, analysis and communication of business information, offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data and that it is inexpensive to implement. He said many service providers and software tools are currently available, adding that XBRL is a proven standard being used today-globally.

The XBRL – UAE Committee presented the UAE's experience in implementing the system. In the presentation titled "XBRL in the UAE: A Leap Towards Transparency", Dr. Ryan Lemand, SCA's Senior Economic Advisor, Head of Risk Management and XBRL Project Director, cited the role of XBRL in the facilitating rapid and accurate disclosure of financial statements in a short time and at a comparably low cost, which on the one hand reflects positively on the investors' decision and facilitates the

work of market regulators, on the other, to achieve a win-win-win results for all the three parties involved – the market regulators, the companies under supervision and the investors. This is in addition to making the country a safe and attractive place for both local and foreign investments.

He pointed out that electronic financial statements enable investors and financial analysts to analyse statements quickly and efficiently in view of the ability of the XBRL system to categorize financial statements in a way that enables conducting of vertical and horizontal comparisons, to arrive at in-depth analysis at a very high rate of accuracy which leads to higher level of disclosure among companies listed on the local markets to the level of those in the advanced countries.

He noted that the UAE was the first in the region to adopt and implement the XBRL system. The UAE is also one of the leading countries of the world in the area of using this system to issue reports on financial adequacy, corporate governance and segregation of accounts of brokerage companies, he said and cited the unique features of XBRL in the UAE as including; Multiple exchanges collaborating with the Regulator to promote a common platform for filing and listing compliance, an auditor interface to ensure consistency of filing with audited statements, corporate actions brought in as part of the filing requirements, the first Taxonomy to be published based on IFRS 2011 Taxonomy, Taxonomy to have both Arabic and English labels, the first active use of Arabic labels by a Capital Markets Regulator, companies allowed to extend the taxonomy with regulator approval and dual language interface in Arabic and English.

Al-Hadari appointed first XII Ambassador to the Arab World

XBRL International has assigned HE Mohammed Al-Hadari, Deputy CEO for Organizational and Support Services Affairs, as its first ambassador to the Arab World, the Securities and Commodities Authority (SCA) has received a formal letter to that effect.

In the letter, the XII praised the SCA and the XBRL-UAE for their great efforts and support for XBRL within the UAE and the Gulf Cooperation Council (GCC).

By the appointment, Al-Hadari became the first Emirati and Arab to assume this post, which came as a result of his valuable contributions and efforts in spreading and boosting XBRL in the Arab region, through his leadership of XBRL-UAE, his role in enhancing relations between the SCA and the XII and the SCA's successful hosting and organizing of the 24th XBRL International Conference in Abu Dhabi last year.

The XII praised the SCA's administrative and technical team for its great cooperation with the XII in making the XBRL-UAE a great success.

The XII said his outfit would be tapping the efforts of Al-Hadari and SCA to officially support XBRL objectives within the Arab countries, coordinating these activities directly with the CEO of the XII. "This support will include hosting visitors to study the SCA project, hosting roundtables, either within the UAE or the region to promote XBRL and active outreach to facilitate connections, meetings and membership recruitment with interested parties within Arab countries", the XII added.

Dear Investor,

To save time and efforts, you can access through the SCA website www.sca.gov.ae the dispute resolution system and the arbitration services concerning securities-related disputes.





Confirming that it is supplementary to the legislations of UAE securities sector **SCA: “Global Marketplace - Abu Dhabi” to enhance ESM performance**

The Securities and Commodities Authority (SCA) has said that the law to create the Global Marketplace – Abu Dhabi, issued by UAE President, His Highness Sheikh Khalifa bin Zayed Al Nahyan, in his capacity as Ruler of Abu Dhabi, reflects a well-informed decision taken by the prudent leadership of the country, both in terms of the timing and objectives of its issue, and its aim to utilize the economic, geographic and strategic capabilities of the UAE in general and Abu Dhabi in particular.

It pointed out that the decision represents a new episode in the development of the economic environment in the UAE and the Emirate of Abu Dhabi within the framework of extensive efforts being made by the State to attain an advanced rank among the top global major financial centers and to expand its share of the world's investments. It said the new market will be a considerable progress for the financial sector in the UAE; and will provide an opportunity for the promotion of foreign investment taking advantage of the vibrant economic environment, which will added value to the UAE economy.

It added that the law issued by His Highness

Sheikh Khalifa bin Zayed Al Nahyan does not only highlight Abu Dhabi in terms of location and potentials but also enhances its ability to attract investment and to showcase its ideal environment for the establishment of projects. Furthermore, it will also enhance the position of the Abu Dhabi on the global competitiveness map, on which the emirate is striving to attain an advanced position.

It said: “It is noted that the timing of issuing the decision came at a time when the traditional financial markets are subject to economic pressures that pushing financing institutions to get out of these markets. It coincides with the UAE's remarkable economic performance and the continued growth of the UAE securities market indicators, which has reached its highest levels since several years ago.”

Explaining further, it said the new market takes advantage of the unique geographical location of the UAE and the Emirate of Abu Dhabi in-between the East and the West, which can bridge the time gap between the markets of Tokyo and Hong Kong in the East and London and New York in the West, and connecting the missing link from time difference between global capital markets, so that

**The decision is a new phase
in the development drive
of UAE and Abu Dhabi
economic environments.**

Asian exchanges closes with their counterparts in the Middle East, Europe and the United States in sequence allowing the succession of work at global markets around the clock worldwide and bridging the time gap existing in the Middle East.

It added: "Therefore, we can realize how this decision reflects the wise and insightful outlook of the prudent leadership of the UAE, who endeavor to employ the potentials of the UAE and the Emirate of Abu Dhabi and benefit from the advantages they have, and utilize them for further development, progress and prosperity to achieve the highest levels of welfare for the citizens and residents. The Emirate of Abu Dhabi has all the capabilities to be a major player on the map of the global economy and a distinctive financial center, including many potentials that enhance the chances of success for Abu Dhabi International Market such as the sophisticated infrastructure, latest and advanced technologies for trading and communication systems, efficient fiscal, monetary and banking policies, strong financial solvency, robust banking sector, liberated economy, market mechanisms, the central role of the private sector, and the presence of an active financial market at the local, regional and international levels. Furthermore, the Emirate of Abu Dhabi owns one of the largest sovereign funds in the world."

It is expected that the financial and banking sector in the world

will experience more mobility and migration of global capitals to the region, especially the UAE, not only to invest in the promising opportunities offered by the new market, but also to enjoy the rewarding returns, the integrated legislative structure, and the climate of stability, safety and security undeniable across the world, adding: "In general, the issuance of the law establishing the free zone of Global Marketplace – Abu Dhabi that guarantees tax exemptions would promote the position of the UAE on the global economic map, and would support and improve the various financial sectors in Abu Dhabi. It will also achieve growth in trading values and volumes, both in the capital markets or derivatives markets which will enhance the position of the UAE markets within the international standards system, and contribute to attracting expertise, investors and major international institutions."

"Accordingly, we look forward to seeing the UAE markets experiencing good growth during the coming period as a result of the establishment of Abu Dhabi International Market. We expect many of the largest well-known companies, such as safe custody providers, investment banks, IPO managers, clearing and settlement companies, investment funds and others, to flock to the market. This will contribute to the transfer of more sophisticated expertise, adding more depth to local financial markets," it added.

DIB acquires minority stakes in Tamweel

Dubai Islamic Bank (DIB) has got the approval of Securities and Commodities Authority (SCA) to acquire the minority stakes of Tamweel, having met all the legal requirements in this regard. The bank has paid for the shares of the minority stakes through capital increase by issuing new shares for the minority Tamweel shareholders who have accepted to exchange their existing Tamweel shares for DIB shares at the rate of every 10 DIB shares for 18 Tamweel shares.

The door for the acquisition was opened from 06/03/2013 to 30/03/2013, while the DIB capital increase amount was decided soon after closing date of the acquisition offer which amounted to 156,696,817 shares offered to those who accepted the share swap.

A ministerial Resolution no. 213 of 2013 concerning increase in DIB capital was issued on 30/04/2013, while the capital increase shares were deposited into the accounts of investors on 9th/05/2013.

Merger of Aldar and Sorouh

The ordinary general assemblies of Aldar Properties and Sorouh Real Estate have approved a merger pact between the two real estate companies paving the way for procedures to effect the merger which will lead to increase in the capital of Aldar Properties.

As a result of the Aldar's capital increase shareholders of Sorouh shall receive in exchange for their shares in Sorouh new shares in Aldar at the rate of 1.288 Aldar shares for 1 Sorouh share.

Dear Investor,

You can access by iPhone, iPad and BlackBerry at anytime and from anywhere, the SCA law, regulations, decisions, and current indices of securities markets in the UAE. You can also utilize SCA search engine facility and other services on our website.



GCC Committee gives approval to UAE study on mechanisms of cooperation between regulators

The Securities and Commodities Authority (SCA) has presented a number of initiatives, prepared draft resolutions and legislations and conducted many studies and working papers during its participation in the meetings of the Committee of Heads of Market Regulators of members states of the Gulf Cooperation Council (GCC).

The SCA participated in the 8th meeting of the Committee of Heads of GCC Market Regulators which was held in Bahrain to discuss latest developments on the GCC markets.

The meeting accepted SCA's offer to hold at its Dubai headquarters a workshop on "Transparency" in preparing financial statement using the XBRL system, to share its experience on the applications of this system with its GCC peers. The committee members deliberated on the offer and underscored the significance of participating in the workshop.

The committee discussed a study conducted by the SCA, having been tasked by the Committee of Heads of GCC Market Regulators. The study is on framework of coordination between market regulators and financial markets. The working paper discussed mechanisms of cooperation and ways of regulating relations between those markets, especially in the light of the conversion of some bourses into public joint stock company, with the aim of making profit. This

necessitates the market regulators to stand up to their responsibilities of protecting investors, developing the markets and maintaining safe and fair transactions on the markets.

The study seeks to explain the nature of relationship

between financial markets and their regulators in terms of the latter's ability to supervise the markets, the powers vested in them by virtue of the existing laws. It also seeks to highlight the requirements of disclosure which all markets must strictly abide by.

The committee also touched on the principles of the International Organization for Securities Commissions (IOSCO) concerning relations between markets and regulators and made recommendations as per the practices in many countries, taking into consideration the IOSCO principles.

A report to this effect was referred to the Ministerial Committee of Board Chairpersons of GCC Regulators for review.

The meeting approved a number of reports on the implementation of unified rules for listing of securities in the past, referring them to the Ministerial Committee attached with suggestions made by the concerned task forces, and recommendations on how best to implement those rules on compulsory basis.

The committee approved a draft unified rules for issuance and offering of mutual fund units on GCC markets, referring the draft to the Ministerial Committee of Board Chairpersons of GCC Regulators for recommendation and referral to the Ministerial Council for final approval by the Supreme Council, for subsequent implementation on optional basis for two years to be followed by a general review and implementation on compulsory basis. It also approved a draft unified rules for supervision and surveillance of trading on GCC markets, referring the draft to the Ministerial Committee of Board Chairpersons of GCC Regulators for recommendation and referral to the Ministerial Council for final approval by the Supreme Council, for subsequent implementation on optional basis for two years to be followed by a general review and implementation on compulsory basis.



Approval given to unified rules for supervision and surveillance of trading on GCC financial markets

To boost transparency and protect shareholders' rights

Companies compelled to make quick disclosure of their financial statement, disclosure of mechanisms for owning 30% of capital

Analysts have agreed that the decision by Securities and Commodities Authority (SCA) to stop the trading in stocks of any listed company which failed to comply with the rules which calls for immediate disclosure of interim and annual financial statements, soon after its review and approval by the company's board, will enhance transparency on the local financial markets, boost confidence in business transactions on those markets and protect the rights of shareholders.

The SCA emphasized that non-disclosure of the financial statements, after approval by the Boards of Directors, constitutes an injustice and prejudice to the rights of shareholders, with the exception of companies that require the approval of the UAE Central Bank, such as banks, which shall disclose their statements when they receive such approval.

The SCA coordinated with the markets to suspend trading on the shares of some companies that did not comply with the decision, which was considered by investors as a step in the right direction that compelled such companies to modify their behavior and disclose their statements with full transparency and in line with the applicable laws and regulations in this regard.

It issued a decision to define the procedures to enforce Article (6) of the Regulation for Disclosure concerning the requirements of holding 30% or more of the shares of the listed companies by a natural person himself and his minor children, or by a corporate person and its related group. The SCA demanded that it must be notified of such cases before placing the purchase order for execution. The SCA may, after consultation with the market, dis-approve the execution of the order if it finds that the transaction will be prejudice to the market interests or the national economy.

The SCA's decision stressed that a natural person or the legal representative of a corporate person must submit an application enclosing all necessary documents to confirm the approval of the purchase transaction, as well as a statement of the number of shares owned at the time of application and the percentage of such shares to the paid-up capital of the listed company, and other procedures.

The decision required that if the purchase order is related to shares of a local bank, the applicant must obtain the approval of the UAE Central Bank before applying to the SCA. In case of approval, the purchase transaction shall be processed within a period not longer than 6 months. If the prescribed period lapses without purchasing all or part of the quantity, the applicant may request extension, if he wishes, from the SCA explaining the reasons that prevented the purchase of all the required quantity. The SCA may, after consultation

with the market, approve or reject the request for extension as it deems appropriate and for the interest of the market and economy.

In order to maximize transparency in the purchase process, the SCA provided for the disclosure of its approval of the purchase on the website of the relevant market upon receipt to show the quantity to be purchased and the end of the purchase period. The investor may perform the transaction only after two weeks from the date of posting the approval. The SCA may suspend the purchase during the period of approval if it finds that the applicant has committed any act or behavior that might deceive or mislead the investors, including the provisions of Article 16 of the Regulations as to Trading, Clearing and Settlement.

Wael Abu Muheisen,

Director General of Al Ansari Financial Services Company, said that such procedure would prevent the monopoly exercised over the previous years by some investors on a large portion of the capitals of companies traded by groups affiliated to them, or through people who have investment interests with them, which prejudiced the interests of shareholders, especially small shareholders. He pointed out that such move boosted confidence in the overall trading.

Jamal Ajaj, Director General of Al Sharhan Stock Centre, said that the protection of shareholders' rights constituted the main pillar of supporting the markets and enhancing confidence, although some attempted to circumvent such principles to achieve personal gains without regard to the public interest which requires everyone to support confidence in the markets that became the most important investment channel in UAE, compared to other investment channels.

He added that requiring the Boards of Directors to immediately disclose the financial statements upon the end of their meetings and to determine the mechanisms controlling the purchase of 30% or more of the traded capital had a positive impact on trading in the markets and on the shareholders who became more assured that their rights were protected by the highest body in charge of supervision and control over companies.

Non-disclosure of financial statements after approval by the boards of directors constitutes a prejudice to the shareholders' rights



Having secured a place on the list of 10 Great Places To Work in UAE SCA honors Human Resources Department at Annual Get-together

H.E. Al-Hadari
with some SCA
directors after
receiving the
award



**An exemplary working
environment instills in
employees high sense of
belonging through the
leadership's leading-by-
example attitude**

The Securities and Commodities Authority (SCA) has honored the Department of Human Resources and Financial Affairs, during this year's SCA Annual Get-together, held to evaluate the SCA's performance and accomplishment.

The honoring of the department was in view of the SCA's placement among the list of the 10 best working environment in the UAE, according to the 2013 "Great Place to Work" report, which covers more than 45 countries of the world.

The report, released by the Dubai branch of the US-based "Great Place to Work" (GPTW), a global human resources consulting, research and training firm specializing in organizational trust, placed SCA at 8th of the 2013 list of the "15 Best Working Environment in UAE", after reviewing and considering its

human resources policy which is based on innovative ways of expressing appreciation to its employees, motivating them to give their best and developing them to achieve their personal and professional ambitions.

The report said the SCA provides its employees various incentives including highly improved maternity and paternity leave, and interest-free personal, car and housing loans, adding that the SCA has also put in place a package of programs aimed at sustainable improvement of its working environment which led to striking a balance between its employees' personal life and official work, thus contributing to the SCA's high score in the level of employees' trust and confidence, which is a major component of the GPTW indexes.

In his opening address of the get-together, Al-Turifi said, after presenting

an award to Othman Al Ali, Director of SCA's Department of Human Resources: "Let me emphasize here that the SCA board, headed by H.E Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy, places at the top of its list of priorities the development of its working environment, enriching its experience in creativity by depending on critical and well-organized system, which ensures high quality output at the SCA and contributes positively in serving investors and clients".

Al-Turifi added: "The SCA believes that an ideal working environment is the one in which an employee is able to strike a balance between his work and his personal life. It is the one in which an employee can develop professionally and administratively and in which there is harmony between the interest of both the employee and the employer. This can be achieved only through sound planning and sustained efforts".

He pointed out that the SCA's Human Resources Department, over the years, has been giving greater attention to the professional, personal and behavioral aspects of every employee from the date of his/her employment and in meeting employees' training needs to provide them opportunity for sustainable development of their skills and capacity to enhance their commitment to the institution's values and principles. He said ideal working environment instills sense of belonging in employees. It promotes exemplary leadership, strengthens commitment to

values and professional standards, breeds institutional culture that is based on mutual respect and appreciation between employees and management, promotes team spirit and provides attractive factors that guarantee employee satisfaction and job security, adding that the major indicator of a successful working place is not only the ability of an institution to keep its employees in spite of the tough competition on the labor market but also to be able to attract more qualified ones to its fold.

For his part, H.E Mohammed Al-Hadari, Deputy CEO for Organizational and Support Services, said: "We decided to participate in the GPTW program following our successful participation in similar programs at the local and regional levels, which boosted our confidence in the high quality of SCA's Human Resources Department and policy, which have won us many awards of the Sheikh Khalifa Government Excellence Program, including the Institutional Excellence Award and the Unique Technical Team Award at the Federal Level, as well as the "Best Public Sector Nationalization Initiative" and the "Best Strategy for Maintaining Attractive Environment for Human Resources" awards at the Gulf level. But our participation and winning an award of the GPTW program is a value addition."

"Our participation and achievement in the "Great Place to Work" program has a special taste because the program focuses on a very significant aspect of human

SCA signs MoU with Polish counterpart

The Securities and Commodities Authority (SCA) and its Polish counterpart have signed a memorandum of understanding (MoU) aimed at boosting cooperation in the area of securities and investment. The agreement was part of events held during the visit to Warsaw by the UAE delegation, headed by HE Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and SCA Board Chairman, to participate in the first UAE-Poland Joint Commission for Economic Cooperation.

H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, signed on behalf of the UAE, while Andrzej Jakubiak, Chairman of the Polish Financial Supervision Authority, signed on behalf of his country, in the presence of the UAE Economy Minister and HE Asem Mirza Al-Rahmah, UAE Ambassador to Poland.

The MoU promotes exchange of training and technical assistance between the two authorities, through consultations between them to identify areas of interest for training and technical assistance, with the aim of boosting further the development of capital markets in their respective countries, promoting joint assistance, sharing of information to help the two authorities discharge their duties in a way that would ensure full respect for and strict implementation of the standing laws concerning securities companies, futures contracts and options and other investment activities.

The MoU aims at providing a framework that would pave the way for mutual cooperation and understanding which would, in the end, lead to inflow of investment between the two countries through the promotion of joint listing of securities on the markets of the two countries,

Expanding the comparative study of standards

Following the increase in the number of participants in the its research program, "Great Place to Work" (GPTW) this year increased the number from the best 10 to 15. The GPTW conducts its comparison research of standards of candidates on the basis of main indexes, including credibility, respect, fairness, trust, pride and workplace culture. Only companies with a minimum score of 75 points and above will make it on the list. The scoring of points is generated from confidential results of surveys being conducted on the employees of the concerned companies to measure and benchmark employees' experience, in addition to the company's workplace culture assessment to understand the impact of programs and benefits,

The methods being used in assessing participants in the program are very accurate tools for measuring of best practices in human resources, whose development is now at the core of the government's 2011 - 2013 economic strategy. The institution organizing the "Great Place to Work" program conducts assessment on every company with two-third of the accumulated points coming from the results of survey on "Trust" which the institute conducts on employees of every contesting company.



SCA honors 107 financial brokers who completed professional license program

The Training Center of the Securities and Commodities Authority (SCA) has held an award ceremony for 107 brokers and other workers of the financial services industry who have passed the professional license examinations to practice in the country's securities markets.

The training program is being run in collaboration with the UK-based Chartered Institute for Securities and Investment (CISI).

H.E. Abdullah Al-Turifi, SCA Chief Executive Officer distributed certificate to the 107 graduates, including financial brokers, trading and operation managers and financial analysts, during the ceremony which was held in Dubai and attended by members of the Center's board of trustee, Dr. Obaid Al-Za'abi, Director of the Center, Richard Stockdale, Chief Executive, QCo Holdings, who is also President of CISI UAE Regional Committee and Simon Culhane, CISI Chief Executive Officer.

Richard Stockdale, President of CISI UAE Regional Committee, expressed profound happiness and congratulated the graduates for the achievement which he said followed their passing of the program's examinations to deserve that

certificate being awarded them. He expressed the hope that the program would reflect positively on their performance on the markets to help elevate the UAE's position to be among the world's elite financial hubs.

Simon Culhane, CISI Chief Executive Officer, also said in his address that the graduates have successfully passed the same exams as did their 8000 peers worldwide and this makes their achievement in this examination an international criteria by reference. "It means you have acquired the same education and training as did your peers from advanced financial hubs in Europe and Asia, he said, adding that passing this exam marks the beginning of their career as professionals in the financial industry.

The 107 graduates, who passed the professional license examinations, include 45 broker's representatives, 44 trading managers, operation managers, internal controllers and 18 financial analysts.

The ceremony also witnessed the graduation of Asma Al-Hossani as the first Emirati Trading Manager.

The brokers went through professional training accredited by advanced international markets

In a joint cooperation between ICA and ICT

SCA to organize training program for Compliance Officer Certificate

The Securities and Commodities Authority (SCA) has signed a joint agreement to offer a training program which will lead to awarding Compliance Officer – Advanced Level certificate. The program, which aims at developing the capacity of financial market personnel in the country, is being organized in collaboration with the International Compliance Association (ICA) and the International Compliance Training (ICT).

HE Abdullah Al-Turifi, SCA Chief Executive Officer, Bill Howarth, ICA Chief Executive Officer and Helen Langton, ICT Director General, signed the joint agreement in a short ceremony

held at the Dubai premise of the SCA.

Based on the agreement, the SCA will receive application for registration for the training program, which consists of workshops, subjects of study and examinations leading to the award of a certificate. The ICCT will prepare the subjects of study at the workshop which will be held at the SCA Training Center's auditorium at the Dubai premise of the SCA. The eight-hours-a-day and five-days-a-week training program will be held in Arabic and English. The center will engage lecturers based on strict selection criteria, while the ICA will be in charge of preparing, conducting, supervising

and marking examinations for the award of a professional certificate, which will have on it the name of the Business College of Manchester University, being a contributor to the preparation of the program and its exams. The ICA is a non-profit, professional and awarding body with a global membership. It is the leading global provider of professional certificated qualifications and training in anti-money laundering (AML), compliance and fraud/financial crime prevention. For novice and experienced practitioners alike, the ICA certificate and diploma courses are a benchmark of excellence.



As trading volume in currencies continues to increase DGCX H1 Volumes Up 101% Year-On-Year

Trading volumes on the Dubai Gold and Commodities Exchange (DGCX) in the first half of 2013 registered a substantial year-on-year growth of 101%, reaching 7,716,340 contracts valued at US\$ 268.85 billion. This came at a time the number of commodities brokerage firms is also on the rise, reaching 42 companies by the end of the first half of the year.

The significant increase was led by currency volumes, with 112% up from H1 2012 during the same period last year.

First half currency volumes were driven mainly by the consistent growth of Indian Rupee futures. The contract registered a strong performance, jumping 95% from the same period last year to aggregate value of US\$ 242.5 billion. Euro futures also saw considerable growth of 280%.

Gary Anderson, CEO of DGCX said, “Our exceptional H1 volume growth has been driven not only by our successful existing contracts, such as Indian Rupee futures and Gold futures, but also by the Exchange’s ability to enhance liquidity and widen investor participation in new contracts. Our new trading platform launched in March is also helping the Exchange accelerate volume growth through a range of new functionalities and by supporting the launch of new and innovative products.”

“The first six months also saw the rollout of our strategy to expand our offshore platform for emerging market products. The encouraging early volumes achieved by the mini-Indian futures contract vindicate this expansion strategy. In the first half, DGCX also introduced new asset classes in its product line-up with exciting contracts like Copper futures and SENSEX futures. All these initiatives are central to our efforts to support our members in optimizing their trading strategies and maximizing profits. I look forward to seeing continued growth and success through the second half of 2013.”

Meanwhile, June monthly volumes on the Exchange registered a year-on-year growth of 79% to reach a record-breaking 1,593,150 contracts. Volumes represented a value of USD \$ 43.77 billion.

One of the key highlights of the month was the exceptional growth momentum shown by the recently launched mini Indian Rupee futures contract, which saw a 140% increase from May, with 369,725 contracts traded. The regular Indian Rupee futures contract maintained its strong performance with 1,172,476 contracts in June, up 47% year-on-year. The contract recorded its highest ever daily volume of 101,408 contracts on 20 June.



DGCX launches new trading platform to boost liquidity

The Dubai Gold and Commodities Exchange (DGCX) has recently launched a new trading platform. The activation of the EOS Trader Platform marks the completion of DGCX’s new technology infrastructure.

The advanced platform will provide DGCX’s growing Member community with superior transaction speeds, more efficient means to access liquidity, higher reliability, enhanced trading flexibility and global connectivity. The upgrade will provide low latency network access, world-class risk-management, surveillance and clearing capabilities.

In 2012, the Exchange partnered with Cinnober, one of the world’s leading trading technology providers, to develop an advanced technology platform designed to support DGCX Members’ increasingly sophisticated trading requirements. DGCX’s internal expertise, combined with Cinnober’s cutting-edge technology and skills, will enable the Exchange to enhance its competitiveness and support its vision to transform the region’s derivatives market.

The new technology gives the Exchange the ability to offer contracts in multiple currencies including UAE dirhams – making it possible for users to provide quotes in multiple currencies. DGCX will also be able to offer 24-hour market support on the new platform, enhancing the value it offers Members and also in attracting new business opportunities from retail, institutional and high-frequency traders (HFTs).

Gary Anderson, CEO of Dubai Gold & Commodities Exchange said: “We are delighted to have completed the implementation of our new technology infrastructure. The feedback we have received from our Members and the wider trading community has been very encouraging. The new trading technology provides cost effective services and enables Members to place, cancel and modify all their orders quickly, substantially enhancing overall efficiency and reducing risks.



International financial market experts applaud H.H. Sheikh Mohammed bin Rashid's Vision of making Dubai Capital of Islamic Economy

International financial market experts and academicians participating in the conference on “The UAE Capital Markets – An Important Engine for Economic Growth”, organized last April by the Emirates Securities and Commodities Authority (ESCA) have applauded the vision of H.H. Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, of making Dubai, the Capital of Islamic Economy and a hub for issuance of Islamic Sukuk.

Speakers at the conference praised the UAE, in general and Dubai, in particular, for having high-quality infrastructure, and for choosing the right time in announcing the initiative and for having great potentials for growth of its Islamic

financial sector at the international level.

The 5th Annual Conference of the ESCA, which was held in Dubai under the auspices of H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and ESCA Board Chairman, attracted large attendance including experts and stakeholders in the banking and finance sector from inside the UAE and abroad, as well as experts from the securities and other vital economic sectors.

Participants in the conference issued a number of recommendations, including the need to have clearly defined Sukuk regulatory rules within the capital market laws to vitalize these markets in the UAE, the need to have and apply the requirements of transparency and appropriate practices in the promotion

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Upgrading the bond and sukuk regulation will cover all phases, including promotion, issuance, listing and trading phases.
“



New regulations will be issued soon, including Regulation for trading of stocks of private companies.

of these products and to maintain the products' Sharia-compliant features, and the need to have international cooperation agreement in assets management which they said, is very important for the industry and investors alike.

Dubai – Center of Islamic Economy

The conference opened with inaugural address by H.E Mr. Abdullah Al Turifi, ESCA Chief Executive Officer, who said the year 2013 has witnessed the launch of the Vision of H.H. Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, of making Dubai, the Capital of Islamic Economy.

Regulations and legislations

Al Turifi disclosed that ESCA has so far issued 43 regulations and resolutions and is currently working on a number of others which are expected to have positive impact on local securities markets and to contribute in boosting their activities. He said the

regulations include regulations for Covered Bonds, Subscription Rights, Certificate of Deposit and Rules for Listing and Trading of Stocks of Private Companies or what is now known as “Second Market”, adding that ESCA is also updating the Regulations for Bonds and Sukuk to cover all stages

of their promotion, listing, trading and continuous requirements.

“On the level of the actual UAE market performance, statistics show significant appreciation in the performance of the Emirates Securities Market (ESM) last year, with Net Foreign Investment value surging during the year by about AED900 million (about US\$245 million) to prove the restoration of confidence of foreign investors in the local markets as the latter’s performance continues to improve,” he stated.

He pointed out that the year 2012 has witnessed fluctuations in the performance of foreign and Arab markets due to local and foreign factors, notably, sovereign debts crisis in Europe and the fear of “fiscal cliff” in the United States. “Therefore, it is natural to have the second paper of this conference shed light on the performance of international capital markets, while the third paper highlights the developments on those secondary markets,” he added.

The “Dubai – Capital of Islamic Economy” Vision is a wise imagination of the volume of this industry





خلال إحدى الجلسات النقاشية للمؤتمر

He acknowledged the pivotal role being played by investment banks and private banks in financial markets, by pumping liquidity and enhancing the markets with innovated financial products and establishing investment funds, notwithstanding their important roles in the growth of public offering subscription and securities custody, or in being a deposit center for securities. “Therefore, other papers to be presented at the conference shall highlight developments in those specialized banks and on investment programs related to global assets industry.

Innovative steps

The conference’s main speaker, H.E. Zarina Anwar, Former Chairman of Securities Commission Malaysia (SCM), said in her address that the UAE is one of the world’s top three issuers of Islamic Bond (Sukuk), adding that Dubai’s strategic position and the volume of its foreign trade placed it at a clear advantage in playing the leadership role in the area of advanced Islamic financial industry and in Islamic economy, in general.

H.E. Zarina Anwar, who is also a Visiting Fellow at the UK-based Oxford Centre for Islamic Studies, started her address by expressing gratitude to the ESCA for organizing such a conference, which, she said, is coming in the wake of tremors caused by the global financial crisis, which

have shown no signs of receding.

She pointed out that the concerns raised over the causes are mostly ethically-based. “This is very consistent with the underlying basis of Islamic finance, which in essence reflects the objective of Shariah (maqasid al-Shariah), which is the promotion of the well-being of all mankind, the prohibition against “Riba” and the caution against “Gharar” or uncertainty and information dissymmetry and the promotion of equitable risk sharing, all of which demand the highest standards of moral conduct,”

she said.

She lauded the vision of H.H. Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, to develop Dubai into a center of Islamic economy. She said the move was timely and praiseworthy, adding that Dubai, which has a clear advantage in this regard, has already taken positive steps and has the facilities and infrastructure to achieve this vision.

She recounted Malaysia’s experience in Islamic finance and the performance of Islamic finance globally, including its achievements and challenges.

On the achievements of Islamic finance, she said it has grown considerably over the last forty years into a global industry, a feat which very few industries have enjoyed and has succeeded in providing solutions to the ethical values which led to the global financial crisis, adding that Islamic finance has recorded a growth of 15 – 20% per year over the past decade to approximately US\$1.3 trillion in 2011; a 150% increase over the previous five years as the industry expanded into new markets beyond core markets in the Middle East and Malaysia. She also cited an Ernest & Young report which estimated Islamic finance-related assets of Saudi Arabia, Malaysia and the UAE, the world’s top three powerhouses of Islamic Finance, at about US\$207

**Geographical location,
infrastructure and volume
of foreign trade favor
Dubai to lead an advanced
Islamic economy.**



Tim Skeet



Tan Sri Zarinah Anwar



Jarkko Syrila

billion, US\$106 billion and US\$75 billion respectively.

Islamic finance sustainability:

She said in planning for development of Islamic finance and indeed, the Islamic economy as a whole, it is vital to pay heed to the various elements of sustainability in order to ensure long-term success. “This will strengthen the competitiveness of the industry and its appeal to a broader range of stakeholders,” she said and cited three of these elements as being:

Compatibility; Through clarity, consistency and compatibility in the interpretation of the Shariah to enhance the confidence of issuers and investors, while preserving the fundamental objective of the Shariah in promoting good and preventing harm. If this sanctity is compromised then the whole point of Islamic finance is lost,” she added.

Capacity building; by investing in building capacity, view of the scarcity of Islamic finance experts and professionals to run the business today and drive it successfully into the future.

Connectivity; through inter-connecting the markets and greater cross-border investment, which does not only facilitate the pooling of liquidity and risks, but also improves the efficiency of capital allocation, which will, in turn, promote faster economic growth and strengthen



UAE is one of the world's top three issuers of Islamic sukuk



business and economic ties between countries and regions

Development of Sukuk

In his presentation titled: “The development of Sukuk as Shariah-compliant bonds”, Abdulkader Thomas, President & CEO SHAPE Knowledge Services, outlined the key developments in the Islamic Capital Markets. He said growth in Sukuk markets is from new markets and increasing domestic currency and domestic

issuer in both established and new markets, adding that bottlenecks, which he said are in the Legal & Regulatory Infrastructure, include legal uncertainty which exists in all but two of the most active markets, regulatory frameworks which are not comprehensive in all but two of the most active markets, some markets have made a good start, but need to finish their homework and commercial codes, regulatory rules, and tax implications which, he said, need to be integrated better in all but two of the most active markets.

Debt capital markets

Martin Scheck, Chief Executive of International Capital Market Association (ICMA), delivered his presentation titled: “An overview of the international capital markets”, during which he defined the meaning of capital market and why they do exist. He said capital markets are an essential mechanism to transfer funds from those who have them to those who need them, fuelling growth in the real economy, adding that they are a service for the mutual benefit of issuers and investors. He outlined the advantages of capital markets for both the issuers and the investors and cited the history of capital markets and features of well-developed international capital market.

He also outlined the ICMA's role in the international markets, which he said,



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Sharia-friendly financial tools have proven their success during the global financial crisis.

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Roger Hartmann

Dear Private Joint Stock Company Officer,

To save time and efforts, you can acquire through the SCA website www.sca.gov.ae the book-keeper licensing and license renewal services.

include promoting resilient and well-functioning international debt capital markets, adding that such markets are necessary for economic growth and benefit market participants and their clients alike.

“In summary, the outlook for the securities market is bright - the funding gap is some times estimated at up to four trillion Euros and the markets are simply asked to do more and more. The future of the international securities markets is assured,” he added.

Secondary markets

Delivering his presentation titled: “Developments in secondary markets”, John Serocold, Senior Director and head of secondary markets at the ICMA, gave an overview of Secondary Markets, touching on market structure, bank capital reform, secondary markets that serve society and the impact of change in the repo market on the secondary market.

On secondary markets that serve society, he said they must be attractive to issuers, must provide finance for development and must support employment, prosperity and growth. He said the role of bonds in a portfolio includes capital protection, provision of income and diversification, adding that secondary markets must also help in providing pricing signals for the primary market, other secondary markets and for capital allocation. He also highlighted the effect of Repo on secondary markets and underscored the existence of link between the various markets.

REPO Infrastructure

Richard Comotto, Consultant and Academic at the ICMA Centre, delivered a presentation titled: “Developments in repo and market infrastructure”. He touched on seven major points, including market size and composition, trading venues, clearing, collateral & transaction management, settlement, legal and regulation.

Explaining the issue of market size and composition, Comotto said US repo has been deleveraged due to the global financial crisis, similarly European repo has been hit by deleveraging due to the



Richard Comotto

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Bonds protect capital, ensure availability of revenue and diversify portfolios

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crisis and recently by 3-year LTRO and regulatory pressure to deleverage further, adding that electronic and cross-border repo hits domestic business, while demand for US Dollar also hit the Euro, especially in post-crisis.

On the issue of regulation, he said the EU Short Selling Regulation was a political response to sovereign debt crisis, prohibition of uncovered shorts in



Martin Scheck

Assets management industry

Jarkko Syyrilä, Deputy Director General, European Fund and Assets Management Association, made the final presentation with a paper on “The international asset management industry, including Collective Investment Scheme”. He highlighted the developments assets management had witnessed during the course of time, in view of the fact that Assets management is one of the major players on the purchase side of the capital market.

Elaborating further, he said corporate investors like pension funds, insurance firms and banks, remain the major clients, while asset bonds continue to attract more funds and portfolio investments by about 44% of the total assets in 2009.

He said statistics estimated the total of assets volume in 2010 at about US\$54 trillion, with major part of this in America and Europe.

EU equity & sovereign debt, uncovered longs in sovereign CDS and poor implementation, adding that it has little demonstrable impact so far.

Regulatory and financial frameworks

Another paper titled: “An Overview of Bank Funding, Capital and Regulations” was presented by Tim Skeet, Managing Director, Royal Bank of Scotland and ICMA Board Member. The presentation touched on three major points, including more regulations, more capital and more liquidity. He said the system is reeling under regulatory burden and that there has been huge increase in regulatory resources.

On more capital, he said many countries worldwide have proposed minimum capital in efforts to implement the Basel III minimum capital requirements.

He touched on other related issues like covered bonds, which, he described as representing the cheapest form of term funding for most banks.

In conclusion, he said the world of banking has changed probably forever. “Banks will have to be smaller, more domestically focused, risk averse and less creative. Markets will be less liquid, and

more expensive to access.

A failure to explain and communicate has contributed to the perception that the banking industry globally has failed to serve the community,” he said, adding that banks are very dependent on their host sovereign credits.

Roger Hartmann, Chairman, ICMA Private Banking working group presented a paper on “Developments in private banking”. He started with the definition of private banking and its history. He said until the later part of the twentieth century, private banking used to be the fastest growing and the most profitable in the financial industry sector, a period known as the Golden Age of Geneva, Zurich and Luxembourg. He touched on the changes that happened in the industry since 2008 to become the most connected and having the widest scope and clientele base with highest demand for such services, as clients are classified according to nationality, social class, gender and profession in order to get closer to them, adding that high quality and credibility of advice being provided became issues that make the difference between service providers.



Abdulkader Thomas

Dear Brokerage Company Officer,

To save time and efforts, you can apply through the SCA website www.sca.gov.ae for licensing and license renewal of a brokerage company. You can also apply for temporary suspension or total cancellation of a brokerage firm.





Through the 20 means of communication available 165 thousand users for SCA website in 2012

One hundred and sixty five thousand users have accessed the website of the Securities and Commodities Authority (SCA) during the year 2012, according to a SCA official statistics. The statistics monitored the use of services available on SCA website by investors, companies and other parties related to SCA functions and UAE financial markets in general.

The monitoring, which included measuring the extent of interactions with the services and information provided by the SCA on its website, indicated that the site has not only been used by citizens and residents in the UAE, but also by users from various parts of the world, which reflected its importance in terms of the information provided, whether related to trading statistics, awareness programs, legislations and regulations governing the market or the other services.

The SCA began to monitor the number of its website users out of its recognition of the importance of knowing how investors interact with its online services and in order to continue the development of services in such a manner as to serve all SCA and financial market customers and facilitate the provision of all their

SCA Website

The Securities and Commodities Authority launched its new internet website in 2008 to serve investors, customers, all SCA partners, researchers and interested parties in the UAE's capital markets. The launching of the new website came after completing the website trial period and closure of the previous website launched in 2004.

The SCA website focuses on separating the between SCA role as regulatory legislative body and the financial market (Emirates Market) as a technical body. The main website of SCA includes many other websites, including the Emirates securities market, a website for media and investment awareness and a website for SCA's Emiratization program.

The website's portal is divided into several sub-sites characterized by interactivity which reflects on the provision of many e-services (such as submission of applications, receipt of notifications, completing forms) related to the smooth operation system. The website was enhanced with many new sophisticated services in such a manner as to become a communication channel providing information and contributing to facilitate and accelerate the procedures, which in turn consolidates the relation with all the customers (PJSC, brokerage firms, brokers, investors, etc.).

needs electronically without the need to use traditional methods of obtaining information or even manually completing many of the procedures related to their companies or investments.

The average number of users of SCA website was about 41,000 users every quarter of a year, according to the statistics, which showed that a large number of

those users were from the USA, United Kingdom and India, in addition to Arab countries such as Egypt, Saudi Arabia, Algeria, Jordan, Qatar and Kuwait.

Over the last decade, the SCA has made significant achievements with regard to building an integrated system of services and awareness programs, which reflects the care of SCA senior management and

its continuous commitment to meet the needs of all categories of customers.

In this context, the record of SCA is full of significant milestones. More than 20 means of communication used in the awareness mechanisms, in addition to the direct contact programs. The SCA has also provided 13 e-services for license renewal for trading companies and brokerage firms, and for filing complaints and other services that aim to facilitate the procedures for the customers, on the one hand and to raise the investors' awareness of the importance of this investment channel, on the other.

It is expected that SCA will attain a new stage of achievement at the level of e-transformation of the services provided to customers by the end of 2013. Actually, 22 SCA services are now accessible online, out of 32 planned to be electronically launched this year. They include a number of services for public joint stock companies, such as:- registration renewal and listing of public joint stock companies, listing of a foreign company, dis-listing of a company, approval of an ordinary or extraordinary general assembly meeting, application for "To Whom it May Concern" certificate and application to issue debentures, as well as services provided to brokerage firms such as: brokerage firms licensing and license renewal, temporary suspension of brokerage firms, and cancellation of brokerage firms.

Additionally, there are services provided to investors, such as: utilizing the dispute resolution system and arbitration service for securities related disputes; and services provided to financial service companies such as: Licensing and renewal of safe custodian, licensing and renewal of financial consultations, and licensing and renewal of commodities brokerage firms; as well as services provided to private shareholding companies such as: licensing and renewal of a register keeper.

In earlier comments, H.E. Mohammed Khalifa Al-Hadari, Deputy CEO for Organizational and Support Services, said: "Clinets can obtain these services anywhere inside and outside the country. They can complete their transactions without the need to visit SCA offices, thus saving time and effort."

"The e-services are being improved, and more e-services will be launched during the current year, such as e-payment and electron link service with a number of other government agencies," he added.

In addition to the direct communication channel between SCA and the print and electronic media, the SCA succeeded in building a distinguished media platform on social networks, such as Twitter, Facebook, etc., through which SCA endeavored to maintain the flow of information to investors.

Beginning from this year SCA to receive dispute resolution requests online

In the framework of automating all services provided through its website, the SCA received 14% of the total number of complaints during the first quarter of this year via its website through the "e-dispute resolution" service.

The provision of the "e-dispute resolution" service is in line with the UAE 2021 Vision, to enhance the e-government and e-services readiness and to improve the knowledge and digital economy. The SCA has so far succeeded in the automation of the first and second batch of services being offered to its customers, such as the PJSCs, Brokerage firms and investors, with a total of 22 services. Its plan, however, covers the provision of 32 services through its portal by the end of the year 2013. Most customers will no longer need to use traditional methods to obtain the services provided by SCA.

Under the "e-dispute resolution service", complains and grievances related to disputes arising out of trading in the financial markets and commodities exchange are received, filed and followed up through the website without the need to come to the SCA. Also, customers can send to SCA the documents they wish to submit, know the result reached by the SCA and receive a copy of the decision thereon through the website.

Mr. Khaled Mahmoud, Director of Enforcement and Follow-up at the SCA stated that "Based on the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President of the UAE, Prime Minister and Ruler of Dubai, to provide all services electronically to enable users to benefit from the services provided by the government agencies; and pursuant to the directions of H.E. Sultan Al-Mansouri, Minister of Economy and SCA Board Chairman and the follow-up by H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, to translate the leadership's vision on the ground, the SCA provided the e-disputes resolution service for disputes arising from securities trading. The service is a procedure which aims to create a streamlined communication mechanism between the SCA and customers to facilitate the filing of complaints without the need to be physically present at the SCA."

The Director of Enforcement and Follow-up added that "the e-dispute resolution is a very recent system to be launched in 2013, which is why it is still not widely used by customers. Furthermore, the main reason for disputes is non-compliance by customers with the controls and regulations governing trading in the financial market. The positive role played by SCA over the recent years to achieve its goals to raise the awareness of customers, upgrade the services provided by brokerage firms and ensure adherence to the laws regulating this profession, has been generally effective in reducing the number of disputes submitted to the SCA. We have received 14% of the total complaints submitted to SCA during the first quarter of this year through the e-system."



18 Companies provide financial consultation, financial analysis and safe custody services



The number of companies licensed by the Securities and Commodities Authority (SCA) to provide financial consultation, financial analysis and securities safe custody services has increased to 18 in the first half of 2013, according to the latest SCA official statistics.

The number of companies that were granted licenses to provide financial consultation and financial analysis increased from 2 in 2010 to 6 companies by the end of March 2011, and to 13 companies in June of this year. Also, the number of companies providing the activity of securities safe custody increased from 2 to 5 companies, thus raising the total number of providers of these services to 18 companies by the end of June of this year.

The list of financial consultation and financial analysis companies included HSBC Bank Middle East Limited, Abu Dhabi Securities Exchange, Al-Ramz Securities, Genero Capital LLC, The National Investor, Abu Dhabi Investment Company (Invest AD), Falcon Private Financial Advisory LLC, Mondial Dubai LLC, Acuma, Independent Capital Investment, Al-Bashayer Investment Co., Macquarie Capital Middle East LLC and the Al-Etihad Financial Advisors.

The SCA approved the Regulations for Financial Consultation and Financial Analysis in 2008, and the Regulations for Securities Safe Custody Activities in 2009, issued following in-depth discussions between the SCA and the stakeholders to provide these services in line with the best international practices applicable in the markets.

Mr. MajdMaayta, Senior Manager of Securities at the National Bank of Abu Dhabi, said that the recent developments in the financial consultation and financial analysis sector in particular improved the performance of the sector, which reflected positively on the

financial markets due to the dependence of a group of small-scale traders on the reports and recommendations issued by licensed research companies. He pointed out that the safe custody service has had a positive role in facilitating foreign investments. He stressed that these services and other regulations and the presence of licensed companies greatly contributed to the availability of valid information and data that help investors to make investment decisions and protect their rights.

He expected that the number of companies providing financial consultation, financial analysis, safe custody and margin trading services will increase in the near future, and thus diversifying the provided services and eliminating the interlinked interests between the companies issuing the reports and their affiliated companies operating in the financial markets.

On the other hand, the introduction of these regulations by the SCA helped to form alliances between companies to provide services, such as financial consultation, financial analysis and safe custody. Many agreements were signed between these companies, most notably the agreement between Al-Ramz Securities and Gulfmena Investments Ltd, a specialist asset management company, to cooperate in the area of research and market analysis.

For his part, Mr. Mohammad Mortadaal-Dandashi, Partner and Managing Director of Al Ramz Securities, said that the SCA has achieved great success in providing services that help brokerage firms to diversify the services offered to customers. He confirmed that the agreement with Gulfmena will enable Al Ramz to further expand its coverage and experience and to improve its ability to respond to client and market demands.

Safe Custody Companies

1. Deutsche Securities and Services
2. CITI Bank, N.A
3. HSBC Bank Middle East Limited
4. Standard Chartered Bank
5. National Bank of Abu Dhabi

Financial consultation & Financial Analysis Companies

1. HSBC Bank Middle East Limited
2. Abu Dhabi Securities Exchange
3. Al-Ramz Securities
4. Genero Capital LLC
5. The National Investor
6. Invest AD Asset Management
7. Falcon Private Financial Advisory LLC
8. Mondial Dubai LLC
9. Acuma
10. Independent Capital Investment LLC
11. Al Bashayer Investment LLC
12. Macquarie Capital Middle East LLC
13. Al Etihad Financial Advisors

Dear Officer of Financial Services Company,

To save time and efforts, you can acquire through the SCA website www.sca.gov.ae the custodian licensing and license renewal services, financial consultancy licensing and license renewal services and commodities brokerage company licensing and license renewal services.



Book building serves the interests of shareholders and companies and boosts the markets

The development of subscription mechanisms in UAE contributes to increase in number of listed companies

Over the past five years, the SCA has made considerable progress in the development of mechanisms that regulate the subscription process to cope with the best international practices in this area, which has contributed to increasing the number of companies listed on the financial markets.

In addition to the regulations that were approved to ensure greater accuracy and fairness in initial public offerings (IPO) for both investors and companies, the SCA was keen to promote the importance of the new subscription mechanisms, through many campaigns organized in the various emirates of the country in the past few years, targeting all market stakeholders.

Financial experts said that the achievements made by the SCA to regulate the subscriptions process have been evident in the past years and have significantly contributed to support and enhance the markets, which is clearly demonstrated by the increase in the number of listed companies.

The financial experts confirmed that besides updating the subscription mechanisms and adopting the book building method in pricing IPO shares, the SCA provided many facilities for companies in the subscription area by allowing them to offer their shares for less value than the nominal value as a first step, taking into consideration the recent difficult market conditions, which eventually encouraged the listing of new companies.

Abdullah Al-Hosni, General Manager of Emirates NBD Financial Services said that “the efforts made by the SCA to regulate subscriptions took into account the public interests over the past years and supported the IPO market.”

He expressed satisfaction with the great development of the legislative structure regulating subscriptions in the UAE compared with other countries in the region.

Types of Capital Markets

- The Primary Market: also called the New Issue Market (NIM). This market is defined to be the market for the new securities issues by companies or institutions for the first time for the aim of collecting money to fund their financial needs. Issues in this market are the share issues offered by shareholding companies for subscription when they are established (initial public offerings).
- The Secondary Market: also called the Trading Market. It is the market for the securities previously issued in the NIM. Traders in this market are the holders of traded securities, whether individuals, financial companies or mutual funds. One of the most important features of this market is the provision of liquidity for securities holders so that they can sell the shares they own when they need their cash value.

He said that subscription mechanisms can be made easier for investors if they are offered online, specially that SCA has the potentials to make this happen, which will eventually promote the primary market.

On his part, Rami Khreisat, a financial expert, said that the subscription process has been considerably developed in the UAE to the stage where fairness was ensured for all stakeholders, starting with setting a fair value for the shares offered for subscription, allocation of shares and ending with refunding surplus funds to subscribers

within a specified period, thereby avoiding all financial flaws that might accompany the offering shares of new companies.

Khreisat explained that the adoption of the international standards in share pricing when offered for public subscription by soliciting proposals from banks and investment companies for the prices of the offered shares in accordance with the book building mechanism that observes the interests of investors and takes into account the right of companies to get the best possible price for their shares on the one hand, and the ability of investors in the shares to achieve an appropriate return therefrom within a specific period of time on the other hand.

The regulations stipulate that if the application to establish a company was approved, the competent authority shall issue a decision to license the establishment of the company and such decision shall be published in the official Gazette at the expense of the founders.

The founders must start the subscription in the shares of the company within 15 days from the date of issuing the decision licensing the establishment of the company. Prior to making a public offering, they must provide the SCA and the competent authority with a certificate from the bank where the value of their cash shares was paid to prove that they have paid for the specified percentage and also to prove that they have paid the issue expenses for all their shares.



Regulating the subscription process have significantly contributed to supporting and enhancing the markets



Diversifying of capital tools being traded on the market and high number of business transactions help improve pricing efficiency



By providing financial resources for new projects

Capital markets play vital role in supporting economic development in the UAE

The financial markets and public joint stock companies play a vital role in the development of the UAE national economy. They are a key element in promoting, developing and directing savings towards productive investment, according to economists.

These economists said that the advanced capital markets help provide additional resources of medium- and long-term funding of the required and appropriate size for projects. It is the case with the offering of new shares for public subscription. This provides the existing companies with additional resources to be able to increase their working capital without borrowing and being subject to relatively tough and

diversity of the capital instruments traded on the market and the large number of traders help optimize the pricing efficiency and, in turn, to cut the cost incurred by the borrowing companies.

Dr. Mohammed Abdu Mohammed Mustafa, professor of finance and investment at the College of Business Administration of Al Ain University of Science and Technology, said that the financial markets are a system that provides convergence of supply funds, “savers’ money” and demand “investors”. They help convert a portion of the community savings into useful investments, and thus helping the formation of capital, i.e. capital processing which is one of the most significant factors of production. He stressed that the economic function of capital markets is to channel the community savings into the best investments.

“The financial markets include savers, investors, financial institutions and financial instruments. They are divided into two categories: money markets where the funds move from savers to investors through short-term financial instruments, such as deposits, short-term loans and treasury bills; and capital markets where the funds move from savers to investors through long-term financial instruments, such as long-term bank loans, stocks and bonds,” he added.

Public Joint Stock Company (PJSC)

In Economics, a PJSC has many advantages, notable among them is the company’s ability to generate financial resources for developing and running the company at a low cost by collecting monies from a large segments of investors. By legal definition, a PJSC is any company whose capital is distributed in the form of equal-value tradable shares, whereby a partner in the company commands only his share of the capital.

restricting terms imposed by the lending institutions.

They pointed out that it is imperative for the financial markets to be profound and comprehensive; so that companies can take advantage of such features. The

“There is a close relationship between the primary markets and secondary markets. The securities previously issued in the primary markets are traded in the secondary markets. Thus, the secondary markets are essential to keep the investors confident that they can sell the securities if they need liquidity or speculate on their prices. Guided by the rates prevailing in the secondary markets, the primary markets issue securities for the first time”, added Dr. Mustafa.

He said, “In the case of UAE, the stock markets are represented in the Securities and Commodities Authority (SCA) that is responsible for the drafting of regulations and legislations, and oversight over the activities of the securities, as well as the two stock markets: Dubai Financial Market and Abu Dhabi Stock Exchange. Dubai Gold and Commodities Exchange (DGCX) is also governed by the SCA regulations. The official securities market started in the UAE in 2000. Most of the transactions processed in Dubai and Abu Dhabi markets are focused on the stocks of local companies. The bonds market is limited, and probably will not grow significantly in the near future because greater attention is paid to the Sukuk, especially in the Dubai market.”

It is fair to say that the securities markets in UAE have contributed to the economic development through public offerings, whether initial offerings or capital increase offerings during the period of market recovery, 2005-2007. However, this role is expected to increase due to the fact that the funds attracted from savings or investment alternatives, such as banks and real estate, through public offerings, whether initial offerings or capital increase offerings, account for a small percentage of the UAE economy; and also due to the infrastructure, legislative environment and advanced technology available for the financial markets in addition to the confidence in the UAE economy, absence of taxes on profits of trades in the stock market, and the application of corporate governance. As emerging markets, the UAE securities markets suffered from inefficiency in the years of recovery, “when the prices of most securities were higher than the fair value”, and in the recent years, “when the prices of most securities are still less than the fair value”.

On his part, Mr. Tariq Qaqish, Director of Asset Management in Al Mal Capital Company said that the capital markets play a significant role in supporting the economic development, although this subject is still widely debated in the economic community. He pointed out that the financial markets are an important investment base that attracts a large portion of investors in the UAE. He explained that with the developed financial markets, investors (listed companies) can get the necessary funds for their projects without borrowing. Hence, the capital markets contribute to economic development. Mr. Qaqish stressed that “in order to increase the role of the markets in the development, it is necessary to increasingly list companies of the industrial sectors, which will add to the real economy and contribute to the diversification of options for investors.”

Initial Public Offerings

The primary market has an important role in providing new investment opportunities for investors in the financial markets. It contributes to sophisticating these financial markets, increasing the trading in them, adding new options that bring about new return determinants and risks, thus creating more options for the different segments of investors, and broadens the base of investment opportunities in such markets. This reduces, in turn, the volatility in these markets. When the shares of new companies, especially in new economic activities and sectors, are offered in the markets, a qualitative addition is added to the GDP. There are many examples of the role played by the public joint-stock companies in diversifying the opportunities for investors and enhance the financial markets.

The primary market includes the offering of shares of new public joint-stock companies, the conversion of private sharing companies or family businesses to public joint-stock companies, or the privatization of state-owned companies. This also contributes to expanding the base of investors in the State through the huge demand for IPOs by various segments of investors. Therefore, it distributes the gains of development in the State, helps the placement of small investors' funds and the attraction of their savings.

Development is not a government affair only. It is also the responsibility of the entire society, and every individual. To advance the development process, all energies of the community must be mobilized under a local development strategy which must necessarily be based on the principle of active participation in decision-making and implementation. It needs a room for interaction and dialogue between the active players in order to agree on the mechanisms of development and its implications. The economic development process includes focusing and directing as much local resources as possible to the production cycle to serve the economic goals of such process. The public joint-stock companies are the best economic vehicles within which a large portion of the savings can be provided and utilized in the productive economic areas. This type of companies is based on the compilation of the necessary funds by offering their capital for public subscription, allowing all people to participate with their savings in acquiring the company's shares and encouraging them to contribute



Experts: Investment Management boosts liquidity in capital markets

Maximizes brokerage firms' revenues

The Regulation for Investment Management is expected to optimize the liquidity circulating in the local capital markets and to positively affect brokers and investors, according to analysts.

Some experts and financial analysts believe that the regulation enhances the legislative system controlling the functioning of the capital markets in UAE, given the remarkable achievements recorded over the past ten years in this regard. More than 43 regulations and decisions have been approved to create an investment environment that is as attractive as the best international practices applied in major global financial markets.

Experts said that the draft regulations on investment management, which come after the entry into force of the Regulation for Mutual Funds during the past period, will have very positive effects on the brokerage firms, portfolios, mutual funds and investors in the near future. The draft regulation includes mechanisms that support the work of all parties making up the supporting elements of the local capital markets, which is the most important investment channel to support the national economy. They pointed out that investors, investment funds and portfolios have been awaiting for the issuance of such regulations, after the adoption of the Regulation for Mutual Funds, so that they can benefit from a complementary investment product that dynamically enhances the capital markets, which have witnessed a strong return of investments since the end of last year, both from inside and outside the UAE. This is evident in the official figures issued by the markets.

As part of its commitment to share its strategic partners and related parties with the draft regulations and decisions relevant

to its operations and to benefit from their comments and opinions on such drafts, the SCA posted the draft "Regulation for Investment Management" on its website, and invited all partners, stakeholders and observers to send their feedback and suggestions.

Hossam al-Husseini, a financial expert, said "After the approval of the draft Regulation for Mutual Funds that encouraged the entry of many foreign and national funds into the capital markets, the draft Regulation for Investment Management came to complete the process of supporting the corporate investment system in the country. The regulation devises specific mechanisms for the management of investment, which will preserve the rights of all parties and provide a new service that was not available before."

The draft regulation for investment management complements the efforts of enhancing corporate investment in the country



He noted that the Regulation for Investment Management has been expected by many institutions operating in the market for a long time. This service was confined to particular institutions licensed by a third party, other than the SCA, before it is transferred to the SCA. By proposing the draft regulations, the SCA will offer opportunity to the largest possible number of those wishing to provide this service under soft terms that take into account the interests of all parties.

Al-Husseini added that the adoption of the regulation will contribute to break the monopoly exercised by some institutions in providing the investment management service during the last period. It is extremely important to give the opportunity to new actors to enter into the market and help develop the service and support the financial markets. He pointed out that the regulation, as a complement to the package of regulations governing the operation of the markets, will have a significant role in increasing the volume of liquidity by encouraging new liquid investments.

He also pointed out that brokerage firms will remarkably benefit from the regulation especially that the capital required to provide the service is reasonable. This will result in the development of activities and maximize the revenues of such companies by offering a new investment product to customers.

Tariq Qaqish, Director of Asset Management at Al Mal Capital, reiterated that the Regulation for Investment Management came at the right time. The Regulation will have a significant role in giving the capital markets new momentum towards recovery. It will also safeguard the rights of investors, especially small investors. He stated that some institutions exercised this service without regulating mechanisms. However, the Regulation will determine the duties and rights of everyone on a fair basis.

Qaqish stressed that the ultimate beneficiary of the increased attractiveness of the legislative environment is the financial markets, investors and companies involved. "We are waiting for the adoption of the regulation as soon as possible to take the utmost advantage of them during the current year."

In turn, Iyad Bariqi, Trading Director of Al-Ansari Financial Services, said that the importance of the Regulation for Investment Management lies in the fact that they are inclusive in terms of content and takes the interests of all targeted parties, companies and investors alike, into account.

The regulation provides opportunity for new players to enter the market, helps develop the service and boosts financial markets

License Terms

In accordance with the draft regulations, the license to practice the activity of investment management will be granted only to corporate applicants, such as a company or institution inside the UAE as per the provisions of the Commercial Companies Law. The purpose of the corporate applicant must be the practice of the activity. It must be licensed to operate in the field of securities in accordance with SCA rules concerning prevention of conflicts between activities.

A local bank or local branch of a foreign bank or an investment company licensed by the Central Bank may be granted the license, subject to approval of the Central Bank on the practice of the activity.

With regard to financial adequacy, the draft regulations stipulates that the minimum paid-up capital must be AED 5 million, with the exception of local banks and branches of foreign banks. For the branches of companies established in the financial free zones and branches of foreign companies, the capital condition will be substituted by a letter of unconditional guarantee of at least five (5) million dirhams payable on demand in favor of the SCA issued by one of the banks operating in the country.

Many experts believe that the capital approved and specified in the regulations helps brokerage firms to provide the service, so that it will no longer be limited to specific institutions, as it was before. This will be conducive to fair competition among all actors to provide the best service to customers.

With regard to administrative aspects of the management of this service, the draft regulations calls for the need to appoint the technical and administrative staff necessary to practice the activity in accordance with the controls issued by the SCA as to the requirements for the activity. Some positions will need SCA approval. It is also required to provide the appropriate workplace, software and technical systems necessary to practice the activity.

In a clear reference to the fact that the institutions or companies that will provide this service will be controlled and supervised by the SCA to ensure their compliance with the rules of engagement, the draft regulations stipulate that the license will continue for only one year and expire by the end of December every year. The first license, however, will commence from the date of license granting until the end of December of the same year. The license may be renewed under an application submitted to the SCA one month before the expiry of the valid license, subject to verifying that the investment manager is compliant with the provisions of these regulations and payment of the annual license renewal fee.

The CEO of the SCA may order the investment manager to suspend the activity in case the license renewal application is not submitted within the specified period.



As cash dividends account for 95% of the total value of distributions

Listed companies distribute dividend of AED 23.76 billion in 2012

The total dividend distributed by public shareholding companies listed on the UAE financial market amounted to AED 23.76 billion for the year 2012. This include cash dividends and bonus shares approved by general assemblies of the companies at their meetings held at the beginning of this year.

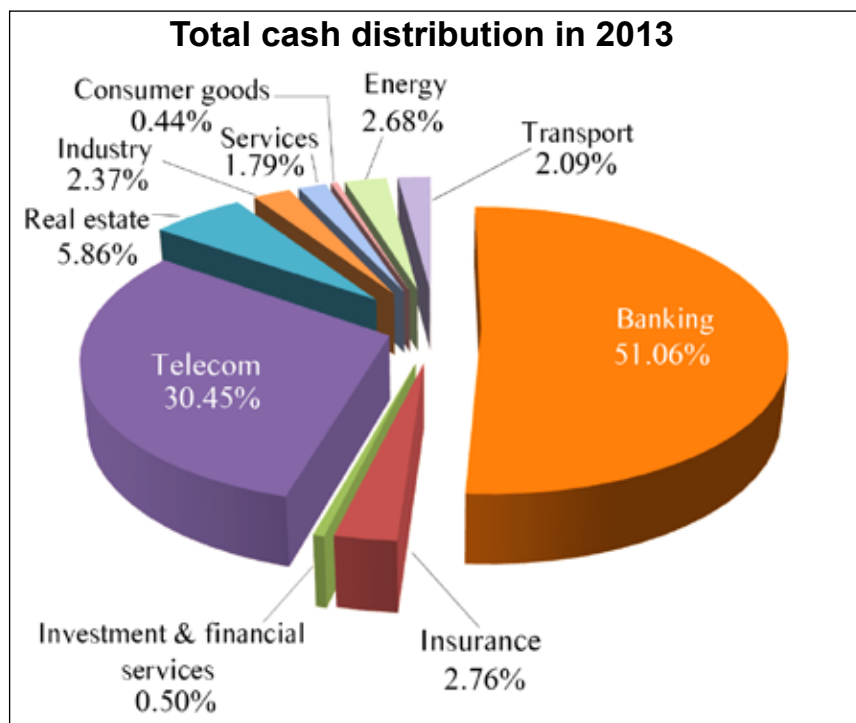
Cash distributions by shareholding companies amounted to AED 22.67 billion accounting for 95% of the total distributions. The total value of bonus distributions approved by the general assemblies was around AED 1.09 billion representing 5% of the total distributions.

The banks sector led the cash distributions with AED 11.5 billion, followed by the communications sector with dividends worth AED 6.9 billion, then followed by the real estate sector with dividends amounting to AED 1.3 billion, the insurance sector with dividends worth AED 626 million and the energy sector with about AED 606 million.

The banking sector accounted for AED 11.57 billion representing about 51% of the total cash distributions. 19 banking sector companies distribute their profits, led by First Gulf Bank with dividends worth AED 3 billion after its General Assembly approved the distribution of 83.3% in cash, followed by the National Bank of Ras Al Khaimah with 40% representing AED 609 million, and then followed by Mashreq Bank with 38% representing AED 642 million.

The telecommunications sector placed second in terms of cash dividends of AED 6.9 billion accounting for 30.4%, through the distributions of the Emirates Telecommunications Corporation "Etisalat" of 70% representing AED 5.5 billion, followed the cash dividends of the Emirates Integrated Telecommunications Company "du" of 30% representing AED 1.37 billion.

The total cash distributions by companies of the real estate sector amounted to AED 1.32 billion. 5 companies have distributed profits. They are a ESHRAQ Real Estate which distributed 22% representing AED 193.8 million; Emaar Properties, which distributed 10% representing 609 million dirhams, followed by Aldar Properties,



which distributed 6% representing AED 268.8 million, then Sorouh Properties with 6% representing AED 157.5 million, while RAK Properties distributed 5% representing AED 100 million.

The insurance sector was fourth in terms of dividends with AED 626 million as approved by the general assemblies of eighteen companies.

The Emirates Insurance Company distributed 60% cash dividends representing AED 81 million, followed by Abu Dhabi National Insurance with 40% representing AED 150 million, and Al Dhafra Insurance Company which distributed 40% representing AED 40 million.

The total distributions by energy sector companies amounted to AED 606 million coming from the distributions of Abu Dhabi National Energy Company "TAQA" of 10%.

The industrial sector came in the sixth position in terms of cash dividends with AED 537 million. 10 companies have distribute dividends to its shareholders, led by Arab Heavy Industries Company with dividends amounted to 25% of the

capital with the valued of AED 16.8 million, followed by the National Cement Company with 20% representing AED 71.7 million. RAK Ceramics Company also distributed 20% representing AED 148.6 million, followed by Gulf Pharmaceutical Industries Company "JULPHAR" with 10% representing AED 78.4 million.

Two companies for the transport sector distributed AED 473 million. Aramex distributed 10% representing AED 146.4 million, and Air Arabia distributed 7% representing AED 326.6 million.

Seven companies from the services sector distributed AED 405.6 million, led by the distributions of National Marine Dredging of 50% representing AED 113.9 million, followed by the National Corporation for Tourism and Hotels with 50% representing AED 100 million, then followed by Emirates Driving with 20% representing AED 17.9 million, while Abu Dhabi Aviation has distributed 15% representing AED 60.6 million.

Waha Capital from the investment and financial services sector distributed AED 113.8 million. 5 companies from the



consumer goods sector distributed about AED 99 million. Dubai Refreshments Company led this sector by cash dividends of 50% of the capital representing AED 45 million.

In the same context, the general assemblies of 12 companies listed on the Abu Dhabi Securities Exchange and Dubai Financial Market approved bonus dividends of AED 1.09 billion.

The banking sector led the bonus dividends with AED 904.9 million. The general assemblies of six banks approved bonus dividends for the year 2012, followed by the industrial sector, where two companies distributed bonus shares with a nominal value of AED 102.6 million, then followed by the services sector with AED 70 million.

One insurance company distributed bonus shares worth AED 10 million, and one company also from the consumer goods sector distributed bonus shares worth AED 2.5 million.

The National Corporation for Tourism and Hotels led all companies that approved the distribution of bonus shares through their general assemblies, in terms of the distribution rate to capital with a rate of 20%, followed by the Commercial International Bank with dividends amounting to 12%, then followed by the bonus shares distribution of 10% of the capitals of the National Bank of Abu Dhabi, the National Bank of Ras Al Khaimah, the United Food Company, and Gulf Pharmaceutical Industries "JULPHAR".

As to gross ratios of dividends, the National Corporation for Tourism and Hotels also led all companies that approved the distribution of both cash dividends and

Total general assembly meetings held in 2013

Sectors	Type of general assembly		Total
	Ordinary	Extraordinary	
Banks	22	5	27
Insurance	29	3	32
Investment & Fin. Services	6	1	7
Telecommunications	2	1	3
Real Estate	10	5	15
Industry	15	0	15
Services	7	0	7
Consumer Staples	10	0	10
Energy	2	1	3
Transportation	3	0	3
Total	106	16	122

Total cash and grant distribution in 2013

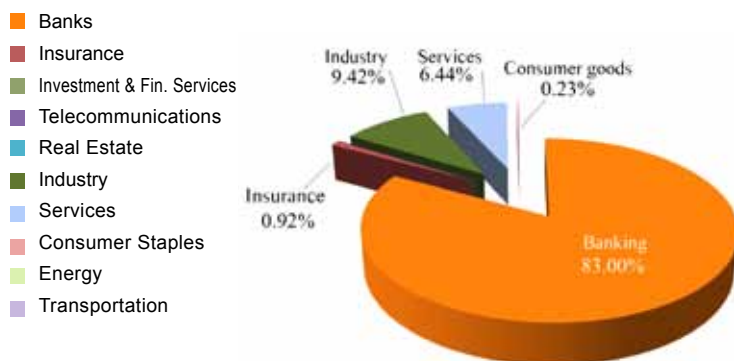
Sectors	Total grant distribution	Total cash distribution
Banks	904,923,514.89	11,578,350,969.33
Insurance	10,000,000.00	626,184,428.65
Investment & Fin. Services	0	113,825,250.00
Telecommunications	0	6,905,726,571.30
Real Estate	0	1,329,396,626.48
Industry	102,668,668.70	537,307,793.90
Services	70,187,500.00	405,675,003.35
Consumer Staples	2,500,000.00	99,320,000.00
Energy	0	606,628,700.00
Transportation	0	473,079,000.00
Total	1,090,279,683.59	22,675,494,343.01

bonus shares by approving the distribution of 50% cash and 20% bonus shares.

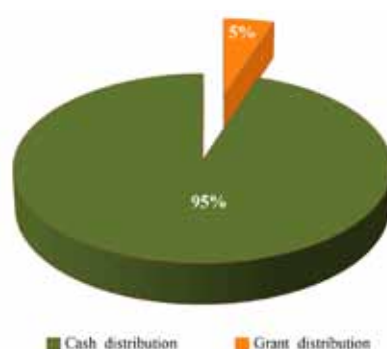
The public shareholding companies

listed on the UAE financial market held 122 meetings of the two types of general assembly during the first half of 2013,

Total grant distribution in 2013



Total cash and grant distribution in 2013



With the launch of the initiative of Dubai, the Capital of the Islamic Economy SCA organizes seminars on Islamic Sukuk and Bonds

The Securities and Commodities Authority (SCA) has organized in Abu Dhabi and Dubai two seminars titled “Islamic Sukuk”, and “Islamic Sukuk and Bonds”. The first seminar was presented by Dr Muddather Hussain Siddiqui, CEO of Shariah Consulting Company in Virginia in the United States; and the second was presented by Mr. Ayman Mohammed, Executive Director of the Effective Step Center.

The two seminars, which were organized as part of the educational and awareness program that aims at raising awareness and financial literacy among investors, workers and officials in the securities sector, followed His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai’s launching of the initiative of “Dubai, the capital of the Islamic Economy and a global hub for Islamic Sukuk.”

Dr. Siddiqui started his seminar by addressing the needs of each investor or company, specifically mega entities and enterprises which need huge and long-term finance without the need to involve a large number of funding sources.

He explained the objectives of bondholders including the provision of significant liquidity, not to risk assets and invest with a high level of liquidity. By listing and trading the Sukuk in the secondary markets, the bondholders aim at getting fixed returns and guarantees for the beneficiaries of the bonds.

He elaborated that the main feature distinguishing Islamic Sukuk from other forms of bonds and instruments is that Islamic Sukuk are not used in projects that are not compliant with the Islamic law (legitimate “halal” profit). The Sukuk holders have access to the possibility of selling the assets that must be genuine in legal and Shariah terms. The Sukuk holders

can also recourse to the assets and use them. For example, they can access and dispose of the balance sheet, if necessary, and they can take risks.

The lecturer explained the rules issued by the International Islamic Fiqh Academy (IIFA) to organize pure debt and cash; allowing / disallowing the sale; exclusions and applicable rules through probability provisions, in addition to the integration and overlap of such rules with the general laws. They give the Islamic Sukuk their individuality and uniqueness with legislations and rules that ensure the soundness of transactions in an Islamic framework that is not inconsistent with the general laws but promoting and developing them.

The lecturer also presented a technical and legal comparison between bonds and Sukuk. He listed the types of Sukuk which vary depending on the assets such as lease Sukuk, which are the oldest and most common type of Sukuk, and the utilization, service, peace, Istisnaa (industrial), Murabaha, Mushraka, Mudraba, Wakala (investment), Muzaraa (farming/ agriculture), Musaqt (tree irrigation), and Mugharasa (planting trees). The assets of all these types must be genuine without sham (dummy) contracts, the use of deception, or sale and lease more than once.

The lecturer recounted the basic steps to restructure Sukuk and elaborated on the sequence of transactions for the various types of Sukuk. He also presented a descriptive comparison between Asset-backed Sukuk and Asset-based Sukuk in a technical manner to explain the pros and cons of each class and the big difference in the rates of their use. Asset-backed Sukuk that are being issued by dealers account for 98% compared to only 2% of Asset-based Sukuk. He addressed the major challenges facing the Islamic Sukuk, starting with the



sale of Islamic Sukuk shares in the bond market.

The lecturer explained how to integrate theoretical matters with practical experience to create sound transactions for Islamic Sukuk such as criminalizing the violators of the law and developing new legislations for the laws on Islamic Sukuk, which have been firstly activated and applied in countries such as the UAE, specifically in Dubai (DIFC), Malaysia and Egypt.

In the same context, he explained that the Islamic Fatwas are often not legally binding. Therefore, special laws that are suitable for Shariah matters must be enacted.

He added that compatibility between Sukuk in terms of Islamic Sharia and general laws and legislations can be achieved by rulemaking on the one hand, and prosecuting anyone who violates such rules on the other hand.

Establishing and practicing the rules for Sukuk need harmonization. Setting rules that are detrimental to the Sukuk market in terms of investment must be avoided.

Seminar on the legal aspects of the Market-maker

The SCA has organized in Abu Dhabi and Dubai seminars on the “Market Maker”. Dr. Mazhar Ali Farghali, Legal Advisor at the SCA, delivered lecture at the seminars in which he discussed the legal aspects of the market maker activity.

Dr. Farghali addressed the legal perspective and aspects of the market maker activity regulated by the Decision of the SCA Board of Directors No. (46) of 2012. He elaborated on the licensing requirements for the activity practice in terms of the legal form of the company permitted to engage in the activity. A company may be granted a license to practice the activity if the company complies with the requirement to separate its activities. Banks or investment companies licensed by the UAE Central Bank may practice the activity subject to the approval of the Central Bank for any of them to submit an application to the SCA for a market maker license. In addition, the applicant must satisfy the capital requirement of not less than AED 30 million, as well as the requirements of financial solvency and having the administrative and technical staff necessary for the market maker activity. Furthermore, the market maker must have an internal procedure manual and a risk management system.

The SCA Legal Advisor explained the functions of the market relating to the market making industry, most importantly the development of internal bylaws and procedures to govern the operational aspects of the market maker, such as trading mechanisms, settlements for the orders of the market maker, guarantees to be provided by the market maker and his/its obligations regarding the provision of liquidity for the securities he/it is appointed for. The market also sets the standards of securities qualified for trading with the support of the market maker and any disclosures that may be requested from the market maker. The lecturer explained the obligations of the market maker during his/its practice of the licensed activity.

The seminar reviewed the controls on practicing the market maker activity and the relevant powers of the SCA and the market, as well as the sanctions that may be imposed on violators in order to achieve the required discipline in this important activity.



Lecture on corporate governance and institutional discipline standards

The SCA has organized a sensitization lecture on “Corporate Governance and Institutional Discipline Standards in the light of Current Developments”. The lecture was delivered by Dr. Anis al-Samet, Associate Professor at the American University of Sharjah.

Dr. Anis started the lecture by talking about the principles that require the implementation of high governance standards to reduce conflicts of interest between a company’s management and its shareholders, monitor corporate compliance and enhance corporate transparency and accountability.

Dr. Anis raised the question of how to manage a company in terms of corporate systems and protocols, which must be designed to ensure accountability according to work ethic, including the

disclosure of information to shareholders and members of the Board of Directors, and the remuneration of senior executives in order to avoid any potential conflict of interest among all parties.

The lecturer noted that internal governance mechanisms should be determined by the officials and shareholders of a company based on the statute of the company through the composition of the board of directors, the remunerations of its executives and the ownership structure. The external mechanisms are determined and affected by the external audit, consumer groups, customers and the legal system.

The lecturer gave some examples to show the important role played by good governance. He started with examples of crises that occurred in the past in

companies lacking good governance to administer and regulate transparency in all behaviors that may cause significant financial damage to the company.

He then listed the benefits of governance according to the standards of institutional discipline. He specifically stressed the importance of improving the opportunity for the entry of foreign liquidity by attracting international investors to raise the efficiency of the financial and banking sectors.

He also pointed to the advantage of providing capital at a lower cost by encouraging investors to invest in a company that provides good knowledge of its strategies and performance. Moreover, the performance of a company is improved by the existence of a more efficient management.

Concepts of Investment in Capital Markets

The SCA has issued an introductory manual titled “Concepts of Investment in the Capital Markets”. The manual underscores the need for all parties to be familiar with some economic and financial concepts related to the capital markets.

The manual addresses saving, investment, inflation, financing and capital components. It defines the functions of the capital in attracting savings, and distribution and allocation of such resources to investment opportunities or other different uses. It notes that the markets’ performance of these two functions means the provision of finance necessarily for production projects in the short and long terms, whether through the banking system or the stock markets.

The 18-page manual defines the saving as the surplus of annual income of individuals, organizations or the society as a whole, which is netted after the basic consumer needs.

Moreover, the manual defines investment as the postponement of all or part of the current spending to get a bigger, better or greater return in future, i.e. utilization of the savings to finance productive activities, such as the purchase of productive assets, to achieve a return that increases and optimizes the value of savings over time. It addresses the forms of investment, including: material, financial, unilateral and diversified investment.

In addition, the manual defines inflation as an economic phenomenon represented in the continuing rise of the overall average prices of all goods and services.

It points out that the standards used by the investors owning the savings to calculate the acceptable future return is comparing the expected return obtained with the inflation rate prevailing in the market. If the return earned is positive, such saver will have sufficient reasons to invest, rather than keep, his savings. But if the return is less than the rate of inflation, the saver will be reluctant to invest his savings.

The manual addresses investment risks, and divides them into two categories as follows: market risks and corporate risks.

It explains that the market risks, “systematic risks”, are the risks that affect the market in general. Their effect extends to all shares traded in a particular market. These risks are the political and economic conditions.

It explained that corporate risks, “non-systematic risks”, are the risks associated with a specific company. They result in losses in share investments due to the decline of business of the company in which the investment has been made. The booklet classified the risks associated with the companies into business risks and financial risks. It addressed the investment process as relating to the set of measures taken by the investor to direct his savings into investment and make the right investment decision. These measures, notably, include: the investors should have the sufficient savings and be satisfied of the necessity to invest their savings in a profit-making production activity, and choose the way they will direct their investments.

The manual defines the funding process as a set of measures taken by a company to obtain the necessary funding for capital formation and to purchase productive assets and various production requirements.

It sums up the sources of funding in the monetary market, i.e. banks, and the capital market. Companies resort to the monetary market for short-term funding to purchase assets of different terms. This method is characterized by low cost when compared to the cost of capital used for this purpose. The companies, in addition, resort to the capital market for long-term funding. This source of funding is characterized by the high cost compared to funding through the bonds market.

The mechanism of obtaining funding, according to the manual, from the capital market is by a company resorting to partner or share as a means to form its capital by offering and selling shares to investors who, accordingly, become owners thereof. This results in profit-sharing, receiving a high investment yield commensurate with the risks they bear as a result of their investment in such company.

Funding may also be obtained through long-term borrowing by offering and selling bonds. The company pays the interest per annum for such loans for their terms, and pays the principal of the loan at the end of the term.

The manual shows that the investment options are the risk-free investment, bank deposits and high-risk investment in securities, which provides high return commensurate with the degree of involved risk. The best investment is the investment which achieves the highest possible return at a certain level of risk or achieves the lowest level of risk at a certain level of return. Any of these conditions can be fulfilled only through investment diversification or the so-called diversified investment, where the risks are distributed among a large number of companies whose shares are invested and form a portfolio. According to the manual, the amount of money invested is an important and decisive factor in the investment decision-making and development of a sound strategy for such investment. Small investments do not enable their owner to form a balanced portfolio of securities based on sound scientific principles.

