

Awraq Maliyah



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SCA wins Emirates Award for Human Resources in Federal Government



Analysts: allocation account promotes transparency and attracts foreign investment



62 automated services on SCA's e-platform

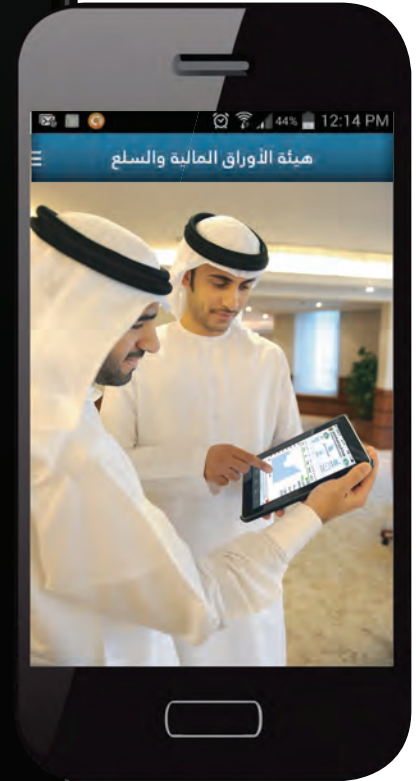
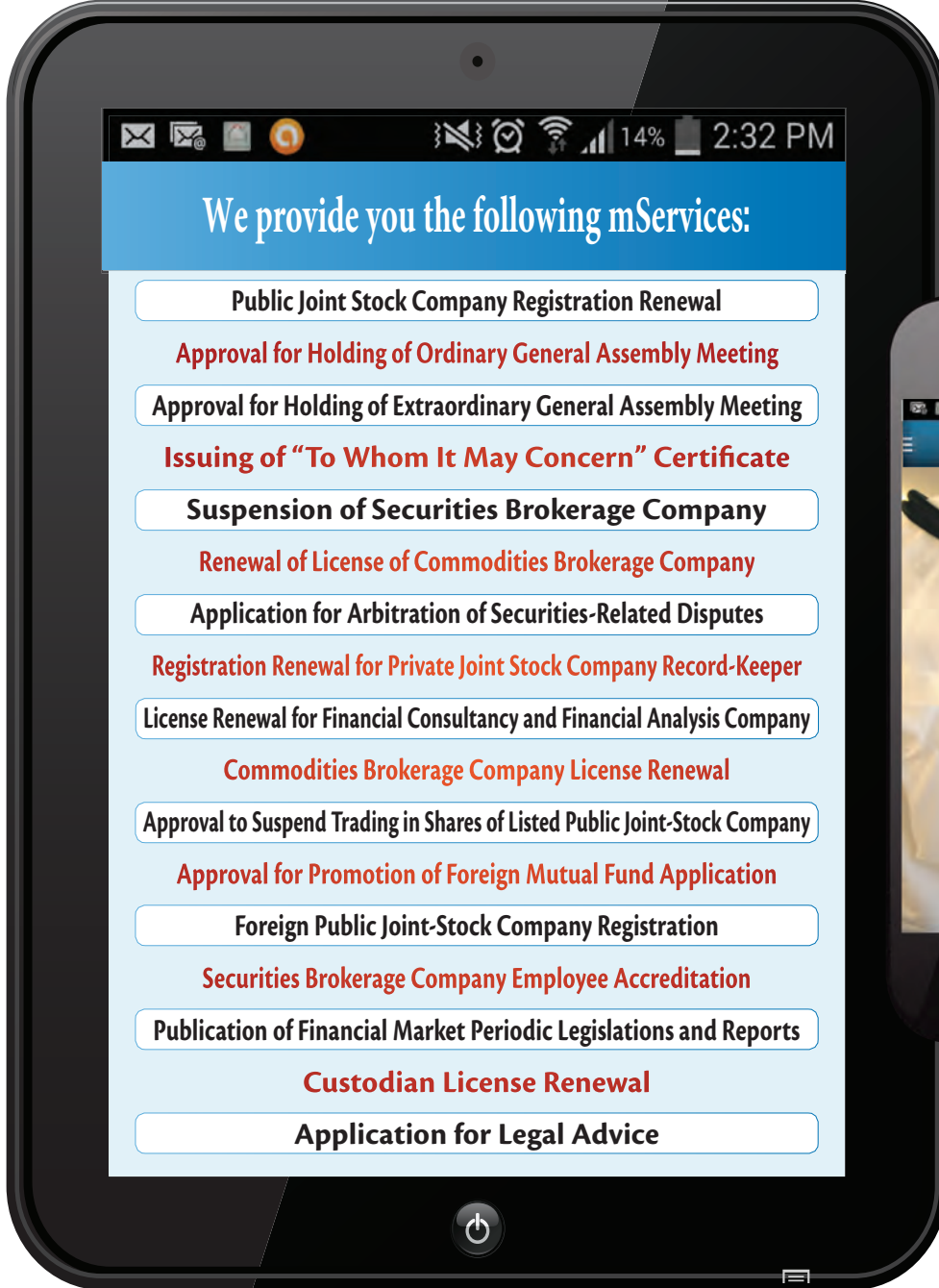


Experts: new incorporation controls protect investors and support IPO market



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Content

SCA wins Emirates Award for Human Resources for Federal Government

4



SCA takes actions to raise country's competitiveness

6



SCA honors 41 brokers and financial analysts who completed brokerage professional qualification program

10



SCA wins five international awards

15



62 automated services on SCA's e-platform

16



9th GCC Regulators' Summit

20



73 national listed companies distribute AED29.05 billion as cash dividends and 4.67 billion bonus shares

34



Cover



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Sheikh Khalifa Government Excellence Awards



UAE President issues new Commercial Companies Law

His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates, enacted a federal law concerning commercial companies, which are central to any successful economy.

The Commercial Companies Law (CCL) No. (2) of 2015 comprises 378 articles. The provisions of the CCL, its implementing regulations, and decisions issued thereunder apply to commercial companies incorporated in the UAE. The provisions applicable to foreign companies contained in the CCL and the decisions and regulations issued in implementation thereof apply to foreign companies using the UAE as a center for their operations or establishing branches or representative offices.



The Federal Law includes many definitions and specializations, most importantly the “sole proprietorship”. The CCL permits a single natural person to establish and own a limited liability company and the holder of the company’s capital shall only be liable for its liabilities to the extent of the amount of capital stated in its Memorandum of Association. The provisions on limited liability companies contained in the CCL shall apply to the sole proprietor as far as it is not inconsistent with its nature. Such company shall be dissolved upon the death of its founder unless the heirs wish to keep it in operation after adjusting its status in accordance with the provisions of this CCL; and they should select a person to manage the company on their behalf.

The CCL permits a single corporate person to incorporate and own a private joint-stock

or limited liability company. The holder of the company’s capital shall be liable for its liabilities within the limits of amount of capital stated in its Memorandum of Association and it shall be subject to the provisions related to legal form stated in this CCL if not inconsistent with its nature. Such company dissolves by the lapse (term expiry) of the corporate person.

If the proprietor of sole proprietorship dissolves or terminates the company with malice prior to expiry of its term or fulfilment of the purpose stated in its Articles of Association, he shall be responsible for its liabilities from his own funds. The CCL defines “holding companies” as the companies that incorporate affiliates within the UAE or abroad or those which control existing companies by holding stocks or shares that authorize them to control the company or influence its decision.



The holding companies take the legal form of joint-stock or limited liability companies and their purposes are restricted to holding of shares or stocks in the joint-stock or limited liability companies, provision of loans, guarantees, and funding for their affiliates, ownership of properties and movables necessary to practice their activity, management of their affiliates, ownership of intellectual property rights of patents, trademarks, drawings, industrial models or franchise rights, and ownership of affiliates or other companies. The holding companies may only practice activity through their affiliates.

The new CCL defines the “book building of securities” as the process by which the price of security is defined upon issue or sale in an IPO where the issuer of securities presents, through an investment bank, offerings to the qualified investors “corporate persons of banks, financial institutions, mutual funds, and other companies and institutions” for the securities to be placed and then a book of offering orders is created through the offering requests presented by qualified investors only. The company then, in cooperation with the investment bank, defines the price of security in the IPO prospectus upon the analysis of the data of the offering orders’ book in the offered securities, provided that the issuer offers a rate not less than 20% to individual investors and not less than 60% to qualified investors from the securities placed for offering. The CCL states that SCA shall issue a decision regulating the offering mechanism based on the book building of securities and the authorities wishing to adopt this approach shall comply with the provisions and procedures stated in the decision issued by SCA in this regard.

With regard to the “valuation of in kind shares”, the CCL states that the founders shall subscribe in the public joint-stock company with shares not less than 30% and not more than 70% of the issued capital of the company, prior to the invitation for public offering on the remaining shares of the company. The CCL indicates that the founders of the company may present in consideration of their shares in the company in-kind shares that are evaluated at the expense of those offering them through one or more financial consultants to be elected by SCA from the consultants accredited by SCA or by the authorities

Al Mansoori: An up-to-date legislation pushing sustainable economic development toward its objectives

H.E. Sultan bin Saeed Al Mansoori, Minister of Economy and SCA Board Chairman, stated that the new Federal Law No. (2) of 2015 concerning Commercial Companies enacted by the UAE President represents a qualitative leap in the national economy and will have a great role in promoting the sustainable economic development of the country by reinforcing its competitive edge regionally and globally, as well as supporting the economic diversity policy and accelerating the UAE’s progress toward transformation to the knowledge economy that is based on creativity and innovation in accordance with the “UAE Vision 2021” and the UAE national agenda. He said: “the CCL comes as part of the vision of the wise leadership of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE, his brother Sheikh Mohammed bin Rashid Al Maktoum, Vice President UAE, Prime Minister, and Ruler of Dubai, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, and members of the Federal Supreme Council aiming at improving the competitive edge of the national economy and achieving one of the key objectives of the UAE National Vision reaching the tenth position on the Global Competitiveness Index.

He added that the CCL is a modern law that will drive the economic development toward its desired objectives which are stated in the UAE Vision 2021 which is dedicated to diversify the economy and reinforce it with an open economic mindset that realizes that the success of the private sector would improve the ability of the national economy to ensure optimum operation of production elements including funds, management, and personnel and its results reflect on the future of social life of the citizens and residents of the UAE.

that have technical or financial experience in the subject of evaluation as approved by the authority, otherwise the evaluation is deemed void. The valuation of in-kind shares that is performed after incorporation of the company shall be subject to the same provisions of valuation stated in the CCL.

With regard to “founders selling a part of their in-kind shares through an IPO”, the CCL permits the company wishing to be converted to a public joint-stock company to sell a percentage of not more than 30% of its capital through an IPO after evaluation. The CCL states that SCA shall issue a decision regulating the terms and procedures of selling a percentage of the company’s shares upon conversion.

Regarding the “Underwriter”, the CCL permits the company to have one or more underwriters when it is incorporated or when its capital is raised of those accredited by SCA to underwrite the remaining offering shares and the underwriter may re-offer the shares it placed subject to the conditions, controls, and procedures issued by SCA. SCA shall issue a decision stating the controls, and conditions for practicing the underwriter activity within the UAE.

Law permits companies wishing to convert into public joint-stock companies to sell no more than 30% of the capital in a public subscription





H.H. Sheikh Mansour bin Zayed presents the award to H.E. Abdulla Al Turifi

Mansour bin Zayed: UAE leadership nurtures human capital

SCA wins Emirates Award for Human Resources for Federal Government

The Securities and Commodities Authority (SCA) recently won the Emirates Award for Human Resources for the Federal Government in its first round. SCA won the General Level Award, the Service Entity Award, and the Promising Executive Award.

His Highness Sheikh Mansour bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs, honored SCA represented in H.E. Abdulla Salem Al Turifi, CEO of SCA, and the HR team represented in Mohammed Al Hadari, Deputy CEO for Organizational and Supporting Services, and Mr. Othman Al Ali, Director of Human Resources and Financial Affairs Department.

SCA received the General Level Award, the Service Entity Award, and the Promising Executive Award, which was awarded to colleague Mustafa Al Marzouqi, HR Policies and Procedures Section Head. H.H. Sheikh Mansour bin Zayed Al Nahyan stressed that the Emirates Award for Human Resources for the Federal Government, which was launched by

the Federal Authority for Government Human Resources (FAHR) in 2014 under the patronage of His Highness, comes in line with the vision of the UAE wise leadership, led by UAE President H.H. Sheikh Khalifa bin Zayed bin Sultan Al Nahyan, his brother H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai, and H.H. Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, who all nurture national human capital.

He indicated that the UAE paid human capital great attention early on, out of its belief of the significance of the human element as a cornerstone of sustainable comprehensive development and a key pillar of the country's success and excellence in the global competitiveness race. He applauded the performance of the ministries, federal entities, and the human resources regulations, policies, and legislations applicable.



H.H. congratulated award winners of institutions, ministries, agencies, and individuals and said: “we wish that our employees always remain at the forefront, delivering excellent performance from their positions. Our employees represent the actual future bet to realize the UAE vision and aspirations of its wise leadership”.

The ceremony was attended by H.E. Sheikh Nahyan bin Mubarak Al Nahyan, Minister of Culture, Youth, and Community Development, H.E. Sheikh Hamdan bin Mubarak Al Nahyan, Minister of Higher Education and Scientific Research, H.E. Mohammed bin Abdullah Al Gergawi, Minister of Cabinet Affairs, H.E. Hussein bin Ibrahim Al Hammadi, Minister of Education and Chairman of FAHR, H.E. Saqr Ghobash, Minister of Labor, H.E. Sultan bin Saeed Al Badi Al Dhaheeri, Minister of Justice, H.E. Dr. Abdullah bin Mohamed Belhaif Al Nuaimi, Minister of Public Works, and H.E. Dr. Abdul Rahman Al Awar, Director General of FAHR.

H.H. honored the winners of the award at both levels: the federal entity level and the individual level. The Ministry of Labor and SCA won the “Comprehensive Entity” Award, the Ministry of Finance and the General Authority of Youth and Sports Welfare won the “Motivating Entity” Award, the Ministry of Environment and Water and the Zakat Fund won the “Empowering Entity” Award, and the Ministry of Economy and SCA won the “Service Entity” Award.

On the individual level, Jassim Haddad of the Ministry of Finance won the “Distinguished HR Leader” Award and Mustafa Al Marzouqi of SCA won the “Promising HR Executive” Award.



H.H. Sheikh Mansour bin Zayed honors colleague Mustafa Al Marzouqi



SCA takes actions to raise country's competitiveness

The board of directors of the Securities and Commodities Authority (SCA) approved amendments to the regulations concerning disclosure and transparency and those concerning trading, clearing, settlement, transfer of ownership, and custody of securities, as well as other amendments to the regulatory controls and procedures as to the application of Article (168) of the Commercial Companies Law.

The SCA board held its fourth meeting at the Dubai office, under the chairmanship of H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and SCA Board Chairman. The meeting was attended by H.E. Mohamed bin Ali bin Zayed Al Falasi, Deputy Board Chairman, H.E. Abdulla Khalifa Ahmed Al Suwaidi, H.E. Hilal Khalfan bin Dhafer Al Muhairi, H.E. Alyazia Ali Saleh Al Kuwaiti, and H.E. Abdulla Al Turifi, CEO of SCA.

Also present at the meeting were H.E. Maryam Al Suwaidi, Deputy CEO for Licensing, Supervision, and Enforcement (rapporteur) and H.E. Dr. Obaid Al Zaabi, Deputy CEO for Legal Affairs and Issuance (coordinator).

At the meeting, the board discussed a number of important matters and issues pertinent to the securities industry and made a number of decisions.

Approval was given to the amendment of Article (22) of the Regulations concerning Trading, Clearing, Settlement, Transfer of Ownership, and Custody of Securities to ensure that they conform with the international requirements of raising the competitiveness of the country on the minority investor protection index. Among the amendments

approved was giving shareholders the right to trade freely and prohibiting companies from altering their Articles of Association to ban trading in their shares prior to or during the convening of their general meetings, or during transactions, trades, or actions that may impact their capital.

Also among the amendments is giving SCA the right to make a decision to suspend trading in any listed securities in case of exceptional circumstances that call for such suspension, or if it sees that the trading in such securities does not serve the common good or violates the rights of shareholders, or for other reasons. Moreover, having obtained an approval from SCA, the market manager has the power to suspend trading in any listed securities in case of exceptional circumstances that disrupt the flow of business and the market order or in any other cases that the manager sees necessary.

In order to meet the international requirements to raise the competitiveness of the UAE on the minority investor protection index, the board approved amendments to the regulations concerning disclosure and transparency. A new article is to be added to prohibit any company, other than a public joint-stock one, from offering any securities for public subscription. In all cases, no company, entity, or natural or corporate person established or registered in the UAE, in free zones, or abroad may publish any advertisements in the UAE that include an invitation for public subscription in securities prior to obtaining the SCA approval, in



accordance with the controls and conditions to be determined by SCA in this regard.

Furthermore, another article will be added to obligate every natural or corporate person (or associated group or relevant parties) owning 50% or more of the capital of a listed public joint-stock company and wishing to increase such ownership, to submit an acquisition proposal to all shareholders in that company according to the controls, conditions, and procedures determined by SCA in this regard.

Under the new article, companies should take into account that mutual ownership between two independent public joint-stock companies may not exceed 10% of the capital of each of them. SCA may set controls to regulate such ownership.

With regard to the regulatory controls and procedures for the application of Article (168) of the Commercial Companies Law, the board approved the addition of two new clauses, Nos. (6) and (7) under Article (1), so that a subsidiary may not be a shareholder in its parent company. Any allocation or transfer of shares from the parent company to one of its subsidiaries shall be null and void. An exception from the provisions of clause (6) of this Article is that a company that becomes a subsidiary of a parent company and owns shares therein before subordination may continue as a shareholder in the parent company, but may not vote at board meetings of the parent company or at its general meetings. Such subsidiary must dispose of its shares in the parent company within (12) twelve months from the date of subordination to the parent company.

Period to apply new mechanism for profit distribution to shareholders extended up to end of 2015

The Board of Directors of SCA agreed to postpone the adoption of the new profit distribution mechanism by granting public joint-stock companies an extended period to the end of the current year.

The meeting held lately discussed several important topics and issues related to the securities sector.

The Board discussed a presentation of the actions that should be taken and the requirements for upgrading the UAE financial markets to developed market status, in the presence of specialized experts from Morgan Stanley Capital International (MSCI).

The presentation included the period needed to implement the future plan in order to prepare the rules and regulations in conjunction with the technical and technological systems that should be adopted by SCA, ADX, and DFM while taking into account the importance of allowing a period to test these rules and technical requirements by local and international investors, and another period to put the UAE financial markets on the list of consultations with index issuers and investors prior to final implementation.

The presentation included the actions required from SCA and the financial markets during this period, including provision of new investment products that meet the needs of investors and match those offered in advanced markets. These products also include new mechanisms such as combined accounts, allowing the opportunity for new services, such as the underwriter and provider of administrative services to the funds, and launching roadshows to present the developments and to examine their effectiveness in achieving the investment objectives of the global institutions. The Board has discussed these actions, which should be completed within a timeframe of 10 years roughly, and followed up their implementation phases.

Furthermore, the Board reviewed a report listing the procedures taken by SCA with regard to the Federal National Council recommendations (FNC) about the discussion of SCA's policy. The report addressed all the recommendations made by FNC as well as the mechanisms, plans, and decisions made by SCA to fully comply with the FNC recommendations. The Board of Directors instructed making all the amendments that enable the accurate application of such actions and putting them into effect.

SCA approves controls for listing and offering newly-incorporated public joint-stock companies

As part of its efforts to develop and improve public joint-stock companies' controls, the Board of Directors of the Securities and Commodities Authority (SCA) agreed to approve controls for offering and listing shares of newly-incorporated public joint-stock companies for the purposes of boosting investor confidence, promoting investor protection, and improving the UAE securities markets through the development of incorporation procedures for new public joint-stock companies.

Among the most important controls approved by SCA was that investments in

such companies must be restricted to eligible investors of legal persons such as banks, financial institutions, mutual funds, and other companies and institutions, as well as the federal government, local governments, or affiliated companies or associations and solvent individual investors, with a minimum subscription of AED5 million.

Furthermore, founders of such companies cannot be special-purpose vehicles (SPVs) and the shares owned by key shareholders must not be lower than the maximum permissible limit, i.e. 45% of the capital. In addition, the main purpose of the company must be carrying out commercial,

industrial, agricultural, real estate, or tourism activities and it must appoint a bank as an underwriter. As to listing controls, among the most important ones approved were the listing of companies in the second category on the market and the requirement that companies appoint a SCA-licensed listing consultant for at least two fiscal years following the listing of the company on the market. Such consultant must assist the company in preparing the necessary listing documents, regularly supplying the market with information on whether the company is meeting the listing criteria, and providing investors with necessary information.





SCA honors outstanding achievements and employees with highest performance levels

The Securities and Commodities Authority (SCA) organized an annual get-together for its employees and staff titled “Innovation is the Road to Excellence”, under the chairmanship of H.E. Eng. Sultan bin Saeed Al Mansoori, UAE Minister of Economy and SCA Board Chairman.

SCA congratulated its employees and staff for their outstanding performance and success in fully implementing the 2014 operational plan. It urged employees to look for further success in implementing the 2015 operational plan by introducing creative ideas and innovative projects in response to the announcement of the wise leadership to mark 2015 as the ‘Year of Innovation’ and focus on delivering smart services to serve customers round the clock from anywhere. SCA applauded the achievements of the SCA Human Resources and Financial Affairs Department, including increasing the Emiratization percentage. It further noted that around 30 employees joined the national service, which is a true expression of the values of loyalty and belonging to the wise leadership of the country represented by President H.H. Shaikh Khalifa bin Zayed Al Nahyan and his brother H.H. Sheikh Mohammad bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai.

Al Turifi honored, in the presence of Deputies

CEO, SCA outstanding teams and employees—namely, (1) the International Competitiveness Working Team, who won the Outstanding Working Team Award, for its efforts that led to the country being ranked first on effective corporate boards; (2) the Human Resources and Financial Affairs Department, the Strategy and Performance Development Unit, and the Internal Audit Unit, who won the Outstanding Achievement Award, for their efforts that led to them being selected among the 30 best international practices in proactive institutional experiences; (3) Dr. Obaid Al Zaabi, Deputy CEO for Legal Affairs and Issuance, who won the Outstanding Impact Award, for his effective participation in international fora; and (4) Mr. Othman Al Ali, Director of Human Resources and Financial Affairs Department, who won the SCA Knight Award.

Al Turifi also gave: (1) the Outstanding Effort Award to numerous employees at the supervisory and executive levels; (2) the Outstanding Employee Award to employees from these sectors: General Management; Licensing, Supervision, and Enforcement; and Organizational and Supporting Services; and (3) the Unknown Soldier Award to employees from the General Service.





Establishing PEOPLECERT Test Centers at SCA to deliver international specialty exams

The Securities and Commodities Authority (SCA) signed an MOU with PEOPLECERT International Limited to promote mutual cooperation in professional qualification. H.E. Abdulla Al Turifi, CEO of SCA, signed the MOU on behalf of SCA with David H. Grinham, Chairman of PEOPLECERT UK.

The objective of the MOU is to make use of the training and qualification programs provided by PEOPLECERT for the purpose of developing capital markets and the financial services industry in general, and improving the standards of professional performance for those working in this field in particular.

Following the signing of the MOU, Al Turifi noted that “SCA is constantly trying to develop the performance of its

training center and promote its efforts aimed at developing the performance of those working in the financial services industry. Signing the MOU came to make use of the expertise of PEOPLECERT International Limited in exam delivery, exam booking and registration engines, e-payment portals, exam delivery methods, instantaneous and automated exam marking, and certificate issuance. PEOPLECERT has delivered millions of exams across 140 countries”.

For his part, Grinham said: “today’s MoU with SCA marks an important milestone in the collaboration between our two organizations and fits well within PEOPLECERT’s strategy to focus on serving Middle Eastern authorities across different industry sectors.

Promoting regulatory and supervisory standards for commodities sector

The Securities and Commodities Authority (SCA) signed an MOU with the Dubai Multi Commodities Center (DMCC) to develop mutual collaboration in regulatory and supervisory standards for the commodities sector, encourage and attract foreign investments, and promote investor protection to serve the national economy. The MOU was

signed between H.E. Abdulla Al Turifi, CEO of SCA, and Ahmed Bin Sulayem, Executive Chairman of DMCC, at SCA’s Dubai office. The signing of the MOU came as the two parties wish to develop cooperation and understanding, mutual supervision and exchange of information, and provide mutual technical assistance.

SCA signs MOU with KOFIA

On the sidelines of IOSCO’s London meetings, the Securities and Commodities Authority (SCA) has entered into an MOU with the Korea Financial Investment Association (KOFIA). H.E. Abdulla Al Turifi, CEO of SCA, signed the MOU on behalf of SCA, with Hwang Young-Key, Chairman of KOFIA.

The MOU provides for promoting mutual collaboration by making use of the qualification and training programs provided by KOFIA to ensure the development of financial markets and the financial services industry in general, and the improvement of professional standards for those working in this field in particular, especially with regard to training programs and the exchange of information and expertise.

The MOU further provides for cooperation in organizing training programs in the area of financial markets and the financial services industry to improve professional levels, increase awareness about the traded financial products and instruments, and encourage continuing education and professional development of those working in financial services with regard to alternative investments.

The MOU also enables each party to make use of the library, information, and statistics of the other and organize conferences, meetings, seminars, and workshops related to the work carried out by both parties.

The MOU allows SCA employees to take advantage of the training programs, activities, events, and conferences organized by KOFIA, as well as providing facilities and discounts to enable both parties to take part in the events organized by the other. KOFIA is a nonprofit, self-regulatory organization established in 2009 through the merger of the Korea Securities Dealers Association, the Korea Futures Association, and the Asset Management Association of Korea to represent securities industry and asset and futures management as provided for under the Financial Investment Services and Capital Markets Act. KOFIA provides services tailored to safeguard investor interests, maintain fair business practices among members, ensure fair transactions, and promote the sound development of the Korean financial investment industry.



In its efforts to promote performance of financial services industry workers SCA honors 41 brokers and financial analysts who completed brokerage professional qualification program

The Securities and Commodities Authority Training Center (SCA TC) celebrated 41 brokers and financial services industry workers who passed the professional qualification exams, delivered in collaboration with the Chartered Institute for Securities and Investments (CISI), to work in the UAE securities markets.

At an honoring ceremony held in Dubai, H.E. Abdulla Al Turifi, CEO of SCA, handed over certificates of completion to 41 brokers and financial analysts, who met the professional program requirements.

Present at the ceremony were members of the Board of Trustees of the SCA TC; Kevin Moore, CISI Director of Global Business Development; and a number of experts and specialists in financial markets at home and abroad.

At the opening ceremony, Al Turifi congratulated those who completed the program requirements and thanked the UK-based CISI for its continued cooperation as an important strategic partner in the fields of training and qualification.

Al Turifi stressed that in its six years, the SCA TC succeeded in establishing its status as an important actor in providing specialized professional development in the securities industry not only at the UAE level, but across the whole region. It is hardly surprising that the SCA TC has become a think tank, offering its

expertise to counterparts in the region, and that its experiment is widely discussed in meetings of heads of the GCC market regulators, which highlights the success of the experiment.

Strong Support

Al Turifi explained that the professional qualification program designed to qualify those working in the brokerage and financial analysis business has received strong support from the SCA Board of Directors. Passing the qualification program has become a mandatory requirement for accrediting brokerage

representatives, financial analysts, trading managers, operation managers, and internal auditors. With the new batch, who completed the program today, the number of the total qualified workers across the UAE markets amounted to around 350. This number has an important significance; it is almost the same as the number of those already working in brokerage companies across the country.

Qualifying a new batch of securities industry workers is not only seen as an added value to the UAE labor market, but is an important contribution to establishing the standards of professional excellence and keeping pace with the recent developments in the brokerage sector, notably the issuance of the new securities brokerage regulations which: take into account the appropriateness of capital market developments with the best international practices adopted, ensure the efficiency of all of the services provided to capital market investors, and offer further guarantees to capital market actors, as well as developing the brokerage business structure and system as brokerage companies have been divided into two categories: 1) trading member and 2) trading and individual clearing member. The concept of general clearing member has also been created.

New brokerage regulations ensure effectiveness of the services offered to investors and provide further guarantees to all market actors



Al Turifi revealed that the new regulations allow trading members to enter into contract with general clearing members to carry out clearing and settlement processes, giving small brokerage companies a competitive edge due to the reduced regulatory and operational requirements for trading members. As a result, brokerage companies can increase the volume of trades on the long run, reduce the risk associated with buy and sell transactions, and be further encouraged to specialize and focus on trading and expand their activities by offering additional services related to margin trading, financial consultancy and financial analysis, and own-account trading. This has positive implications on their outputs and tends to ultimately enhance the attractiveness of the UAE financial markets, especially if we take into consideration the issuance of the Ministerial Resolution No. (86/RT) of 2014 concerning the Controls of Trading by Brokerage Firms for their Clients in Foreign Markets.

For his part, Moore offered his congratulations to those who received certificates of completion, pointing out that participants had to pass three exams at least to receive the certificate.

Strong Incentive

Moore expects that this would be an incentive to colleagues and others in the financial services industry, especially now that the UAE has become a financial hub and working in this field requires continuous knowledge and development.

The number of those who completed the program this year amounted to 41 as follows: 20 brokerage representatives; 12 trading managers, operation managers, and internal auditors; and 9 financial analysts.

Under this program, which is tailored in accordance with the best international standards, the SCA TC administers 6 professional licensing exams, including introduction to investment—international approach, UAE financial rules and regulations, securities—international approach, operational risks, financial service risks, and wealth management.

The program is fundamentally designed for brokerage company employees, including brokerage representatives, trading managers, operation managers, internal auditors, and financial analysts.

Having been ranked first in protecting investors UAE is first internationally on corporate boards index

The team mandated to enhance the competitiveness of the UAE, who is part of the Emirates Competitiveness Council (ECC), made two remarkable achievements. First, the UAE has been ranked first internationally on the corporate boards index, according to the World Competitiveness Yearbook released by the Swiss-based International Institute for Management Development (IMD). Second, the country ranked first, too, at the Arab and regional levels on the investor protection index, after having leapt 59 ranks, which made it top the list of the ten most advanced economies across the globe, according the World Bank's ease of doing business annual report.

SCA applauded the efforts of the SCA team mandated to realize the keen vision of the wise leadership to improve the ranking of the UAE on global competitiveness indexes related to the field of securities and coordinate with the ECC in this regard. It pointed out that this notable success would not have been possible without the ECC efforts and the support provided by all official authorities.

SCA underscored the significance of enabling shareholders to check transaction-related documents and appointing independent auditors to audit such documents.

This came on the sidelines of a symposium organized by SCA and attended by securities experts and specialists. Participants pointed out that financial markets indexes may see ups and downs, given that such trends are natural in financial markets, keeping in mind that the current downward trend in stock prices is not limited to local markets, but has

**SCA seminar
stresses that market
participants should
avoid wrong practices**

extended to various regional markets and a number of international ones. Experts urged investors to base their investment decisions on the sound analysis of the general economic condition, market fundamentals, and listed companies' performance and growth potential. During the symposium, reference was made to financial analysts' expectations of an increase in the profitability of listed national companies relative to past year's results. The symposium also examined the remarkable performance of companies and the growth of national economy.

Participants pointed out that the current declines in financial markets offered numerous attractive investment opportunities and that the decline of a multiplier or Price/Earnings Ratio (or P/E ratio) is easily noticed. Experts have also advised investors to base investment-related decisions on logic, not emotion, make use of the views of licensed consultants and accredited financial analysts, avoid rumors, and control their reactions. They urged all market participants to avoid trading malpractices such as short-selling and praised the supervisory efforts made by SCA, whether electronic or physical. Inspections conducted by the SCA team (periodic or surprise "spot checks") over the past year amounted to 125 visits to all authorities regulated by SCA.



CMA delegation reviews SCA TC experiment

A delegation from the Kuwait-based Capital Markets Authority (CMA) visited the Securities and Commodities Authority Training Center (SCA TC), met with its supervisors, and later entered into discussions with the technical and administrative staff to learn about the working methods and the objectives and initiatives SCA TC aims to realize, as part of SCA's operational and strategic plan.

During the visit, the delegation learned about SCA's developmental stages, the role the training center is assigned with to raise the performance of financial market workers, and the services offered to the public, notably the Continuing Professional Development (CPD) program recently approved by the Board of Directors, as well as SCA's role in developing professional qualification programs, the test registration procedures, and the hardships and challenges faced.

The delegation made a field visit to the testing hall and reviewed the list of the technical training courses and professional certification offered and that of the training centers it works with for the purpose of providing training programs.



SCA TC participates in career fairs

The Securities and Commodities Authority Training Center (SCA TC) recently participated in a number of activities and events that aim at acquainting financial market participants and stakeholders with the services and training courses offered as well as examination dates.

The SCA TC participated in the American University of Sharjah (AUS) Career Fair organized as part of a training exhibition the university arranges annually to acquaint academically distinguished students with available job opportunities at the labor market. Representatives from SCA and its training center distributed presents and publications and showed documentaries that describe the SCA role, message, functions and tasks, departments and sectors, and available job opportunities. The SCA TC pavilion saw huge participation by the AUS students, faculty, and staff.

The SCA TC also shared with the Chartered Institute for Securities and Investment (CISI) a

joint pavilion in an exhibition arranged at the American University in Dubai (AUD) whose objective was to provide information on the SCA training courses, certifications awarded to participants through agencies that SCA entered into memoranda of understanding and cooperation agreements with, and licenses granted for the practice of brokerage and financial services business. Examinations for such licenses are held at the SCA TC in collaboration with the UK-based CISI.

In a related context, and as part of exchanging expertise with GCC counterparts, SCA received a delegation from the Muscat Securities Market (MSM), who reviewed the SCA pioneering experience in professional qualification in the securities industry, the challenges and hardships of the professional qualification program, the other training centers with which the SCA TC collaborates to provide training programs, and the other activities and services offered.





Omani delegation reviews SCA's experience in supervision and violation detection

A delegation from the Capital Market Authority (CMA) of the Sultanate of Oman recently visited the Securities and Commodities Authority (SCA). The field visit involved a practical training at the Supervision Department and the Enforcement and Follow-up Department. The delegation reviewed the strategic and operational plan as well as the business processes and systems of both departments. The Omani delegation's visit comes pursuant to the MOU signed between SCA and the Oman-based CMA.

The visit to the Supervision Department included a presentation about the department and an introduction to the handbook on procedures, working mechanisms, and the legislations and laws governing trade practices. Additionally, a comparison was made between the supervisory roles of SCA and markets.

The department presented a thorough explanation of the electronic system used to control daily trades (SMARTS) and its key features, including accurate follow-up of daily trading transactions, trading session and stock movement analysis, and follow-up and analysis of alerts produced by the system, as well as following-up and monitoring news and analyses. The training program included perusing types of fraud and how to detect them, how to detect insider trading during prohibition periods, and how to detect tradings carried out by brokerage companies and their staff.

ADX and NBAD launch market-making activity

The Abu Dhabi Securities Exchange (ADX) launched market-making activity and the National Bank of Abu Dhabi (NBAD) started operating as the first market-maker across the UAE

markets. NBAD is the market maker for 4 ADX-listed companies: Abu Dhabi Commercial Bank (ADCB), Aldar Properties PJSC, Waha Capital, and the First Gulf Bank.

NBAD accepts national ID instead of investor number

Rashed Al Baloushi, CEO of ADX, said that ADX will accept the national ID card instead of the investor number as of the second half of the current year, as part of its efforts to ensure investor convenience.

He pointed out that ADX has completed the first phase of the provision of smart services and will start working on the second phase of its plan in this regard, which includes providing all corporate-related data in chart form so that investors and relevant parties can

access it readily by the end of the first half of the current year. Al Baloushi announced in press statements, as part of the Middle East Securities Forum which was held in Abu Dhabi recently, that ADX will deploy electronic devices similar to ATMs where investors can receive many of the services provided by ADX instead of the conventional methods. He said that ADX has addressed letters to about 15 private companies to encourage them to list on the second market recently opened in ADX.





SCA organizes advanced workshop on innovation and creativity

The Securities and Commodities Authority (SCA) held a workshop on innovation and creativity, in the presence and with the participation of H.E. Abdulla Al Turifi, CEO of SCA, CEO deputies, and department managers and advisors.

The workshop—the first of its kind in federal bodies—aimed at identifying innovation elements and mechanisms, finding ways to disseminate and encourage the culture of innovation among SCA employees and staff, and inspiring new creative ideas. The workshop comes in response to the directives of H.H. President Sheikh Khalifa bin Zayed Al Nahyan and the approval of the Cabinet, chaired by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai, to announce 2015 the Year of Innovation.

SCA hosted Peter Fisk, a leading international expert consultant in innovation and creativity, to run the workshop and show the practical applications that help to demonstrate and put into practice the concept of brainstorming in a methodological framework that ensures the creative development of enterprises and business strategies.

Fisk demonstrated various innovation concepts and standards, conditions for creating an innovation environment, and factors and elements that allow generating ideas and unconventional solutions to encounter daily business challenges. He cited models from the extensive research conducted while serving as a professor of strategy, creativity, and marketing at a prestigious business school in Europe and from his experience as a chief executive officer in one of the major marketing organizations in the world.

In the four-session workshop, Fisk, who previously served in Concorde, demonstrated numerous creative development experiments carried out by a number of international institutions and corporations, including IDEO, Google, Amazon, Apple, and American banks through adopting idea fusion strategies to provide more distinctive services to customers, ensuring further satisfaction and increased interest in the services provided, in addition to examples of individuals and institutions who succeeded in putting into action their creative ideas to overcome hurdles and challenges, such as smart watches and flying cars.



SCA wins five international awards

The Securities and Commodities Authority (SCA) has recently earned five HR awards at the MENA and Asia levels at three competitions organized by international organizations and institutions.

SCA's smart services platform earned two awards at Kuwait's Smart Government Award competition.

The competition was organized as part of the forum held by the Pan Arab Excellence Award Academy under the auspices of the Kuwaiti Minister of State for Cabinet Affairs in collaboration with the Central Agency for Information Technology in Kuwait.

H.E. Mohammed Khalifa Al Hadari, Deputy CEO for Organizational and Supporting Services at SCA, received the award from H.E. Sheikh Mohammad Abdullah Al Mubarak Al Sabah, the Kuwaiti Minister of State for Cabinet Affairs. Winners were selected against approved international criteria.

Commenting on winning the award, H.E. Abdulla Al Turifi, CEO of SCA, said: "winning such award comes as part of our sustained efforts aimed at diversifying service channels and facilitating service delivery to all our customers in financial markets. This also comes in line with the directives of our wise leadership to transition to a smart government, provide automated services, and communicate

with customers via smart devices in a digital environment." Al Turifi stressed that "SCA was the first to promote the use of smart applications to take advantage of modern technologies and facilitate the completion of procedures, the follow-up on the status of transactions and licenses, and the introduction of investment opportunities, and so many other activities."

The arbitration committee, comprised of a number of experts and impartial personalities, selected SCA's smart services platform based on a number of objective standards, including accessibility, interactivity, interface, and technical and professional values.

In a related context, at the HR Summit competition, jointly organized and sponsored by a number of global consulting companies specialized in human capital investment and best

international practices, including the global Great Place to Work Institute, SCA's HR Department won the 2015 Best Government Place to Work Award, exceeding a number of major international and local companies and bodies.

At the same competition, H.E. Mohammed Al Hadari, Deputy CEO for Organizational and Supporting Services, was honored with the Champion of Change Award, in recognition of his efforts to improve SCA's workplace by launching and executing initiatives to support institutional and supporting services.

In addition, Al Hadari won the 2015 Asia HRD Award, annually organized by the Malaysia-based Asia HRD institution. The awards are presented to those who have brought about significant changes to human development by spearheading initiatives that contribute to the organization and those whose concepts and practices have resulted in effective and high-impact best practices recognized by human resource practitioners and organizations. The Asia HRD Awards are also presented to organizations that have built their successes on innovative systems, processes, and practices aimed at overall employee development.

Among the competitors were private companies and semi-government and government bodies.

SCA is first to promote use of smart applications to provide facilities to investors

62

17 of which are available on smart phones **automated services on SCA's e-platform**

The number of e-services offered by the Securities and Commodities Authority (SCA) rose to 52 after automating a further 6 new services at the end of last June.

The new services made available on smart phones include: suspending listed joint-stock companies, registering foreign public joint-stock companies, accrediting securities brokerage company employees, renewing commodities brokerage company license, and approving mutual fund promotion application. Consequently, the total number of smart services offered rose to 17 thus far, making it easier for companies and brokers to complete transactions. The number of services automated in 2014 amounted to around 46, of which 35 are electronic and 11 are smart available on mobile phones.

The wide use of smart phones across the UAE prompted all institutions and agencies to quickly automate the services offered to customers.

According to the most recent official statistics, the UAE came in first in the prevalence of Internet-connected devices, with an average of 2.8 devices per citizen in 2014. The use of desktops and laptops increased by 81% compared to 78% for smart phones and 33% for tablets.

Experts described SCA's achievement in the provision of e-services as a significant move in its attempt to make it easier for investors, companies, and all related parties

to complete market transactions. This has helped to increase the attractiveness of investment opportunities to corporate or individual investors as the number of investors in ADX and DFM exceeded 1.8 million of different nationalities.

They said that the provision of this large number of electronic or smart services in a short period had a positive impact in eliminating all routine and bureaucratic procedures that were followed in the past to



complete any transaction, stressing that the increase in the number of electronic services provided in the next phase will put SCA at the top of the institutions that automated all of their services not only across the UAE, but the whole region.

H.E. Abdulla Al Turifi, CEO of SCA, reiterated that SCA's plan to automate its services comes in response to the directives of the wise leadership of the country, and in pursuance with the resolution issued by the Cabinet, chaired by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and the Ruler of Dubai, concerning approving the federal e-government plan, raising electronic transformation readiness, and accelerating the actual transformation of all of the government services offered to customers. In this context, SCA has worked over the past two years to provide an integrated electronic system to serve customers.

Financial analyst Tariq Qaqish stressed that SCA made every effort to offer facilities and provide electronic and smart services to investors and companies in recent years. This had positive implications on the work carried out by these parties. Qaqish emphasized that automating services has saved 90% of the time and effort needed by investors, companies, and brokers to complete transactions, thus increasing market attractiveness. He explained that the vast majority of investors and companies have become capable of completing transactions in short periods of time after SCA has offered this large number of services via its e-platform, pointing out that the next period will see the automation of all services ultimately.

For his part, Mohammad Mortada Al Dandashi, Partner and Managing Director of Al Ramz Securities, said that the past two years witnessed a development in the automation of services provided by various agencies. We, at brokerage companies, and

Dubai smart exchange

DFM works to accommodate all of the e-services developed in the past period, including its applications made available on smart phones and its services found on the website as part of a smart, interactive, integrated, and constantly improved platform. The strategic objectives of the smart exchange are four—i.e., developing smart solutions, making procedures readily accessible, developing a partnership network with government institutions and technological development companies, and developing extensive research capacity that contributes to creating smart solutions.

DFM's new application is made available on smart phones and enables all customers to review portfolio details, including value and volume and portfolio performance charts, as well as the latest market developments, including price activity, indicators, disclosures, and news where users receive updates according to their own personal preferences. The application also includes an introductory guide on market services and allows users to contact the market and easily make comments and express opinions. In addition, the DFM e-IPO platform made huge success when it was utilized in Marka and Emaar Malls IPOs. It allows investors to participate in IPOs, with a direct link with recipient banks, and make due payments through ATMs, online banking services, and the iVESTOR card easily as per the highest levels of safety and security.

all related parties started to feel how easy it has become to complete transactions. This has contributed to eliminating all of the conventional procedures required to complete transactions in the past.

Al Dandashi reiterated that the increased prevalence of e-services was a result of the increased use of mobile phones across the UAE, now regarded among countries with the largest number of mobile phone users in the world, since the actual mobile subscribers database covers 16 million subscriptions.

Al Ramz launched its mobile services available on Apple's iPhone and iPad, Blackberry devices, and other smart phones, in response to the sound vision of H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai to extend the scope of services available on smart phones.



ADX smart services

ADX offers numerous e-services, notably: issuing investor numbers, providing account statements for existing investors, updating investor information, and making family transfers. ADX is working to transform most of the services currently offered to smart in the near future as part of its quest for excellence and in support of the Abu Dhabi Vision 2030.



SCA issues mechanisms regulating this service

29 companies provide financial consultations and securities custody services in UAE

The number of companies providing financial consultations and securities custody services rose to 29 by the end of 2014 compared to 21 companies by the end of 2013 and 14 companies by the end of 2011.

Currently, 5 companies provide securities custody services and 24 companies provide financial consultation services.

The number of companies providing financial analysis and financial consultation services increased to 23 by the end of 2014, including Al Ramz Securities, Abu Dhabi Financial Services, Abu Dhabi Commercial Bank, Falcon Private Financial Advisory, Mondial Dubai LLC, AKOMA, and Invest AD Asset Management. On other hand, companies providing securities custody services includes the National Bank of Abu Dhabi (NBAD), Standard Chartered Bank, HSBC Middle East, in addition to Citibank

N.A. and Deutsche Securities.

As to companies providing securities custody services, they were still 5 at the end of 2014. SCA has received applications in this regard but these applications are still under assessment as previously announced.

Financial expert Hossam El-Hosseini stressed that the demand for the provision of financial consultation services has been considerable in the past couple of years, which is reflected in the rising number of companies providing this service. He noted that issuing mechanisms to regulate this service had a positive impact on handling the chaos that prevailed in the sector in the years preceding the legal provision of the service.

El-Hosseini said that setting clear mechanisms for the securities custody services has contributed to facilitating procedures for foreign investors whose

investments increased in value in the markets as reflected in boosting market activity. He indicated that enhancing control over companies that provide financial consultations and securities custody services has contributed to ensuring high quality and further transparency in the information provided, which helps investors make more appropriate investment decisions as much as possible.

For his part, Kefah Maharmeh, Director of Al Dar Financial Services, believes that the demand for financial consultations has improved, contributing to the rise in the number of companies providing



this service. He stressed that the regulations issued by SCA have provided a clear framework for such services, which contributed to solving the problems encountered in the past during service delivery by non-specialized companies, compromising the interests of markets and market participants.

Maharmeh explained that regulating the securities custody service has played a role in facilitating things for foreign investors, who raised the value of their investments in the market in a manner that boosted the strength of the market and contributed to improving the prices of most shares.

He affirmed that having an authority that controls services provided by the financial consultation and securities custody companies has promoted the quality and transparency of the information provided, which helps investors make better investment decisions and enhances confidence in financial market transactions.

Maharmeh concluded: "It was a step in the right direction to regulate the profession of financial consultations and to limit it to qualified agencies and individuals in a manner that protects investors". He noted that "the provision of financial consultations has become a source of new income for many brokerage companies".

The regulations concerning the licensing of securities custody companies stipulate that the applicant must be a corporate person in the form of a joint-stock

Financial Consultation and Financial Analysis Companies

- Al Ramz Capital LLC
- Abu Dhabi National Securities
- Mubasher Financial Services (MFS)
- HSBC Bank Middle East Limited
- Abacus Financial Advisors
- Guardian Wealth Management
- Monitor Financial Advisors LLC
- Alpen Capital LLC
- Capital Advisors LLC
- Shuaa Capital PSC
- Indigo Financial Consulting and Analysis LLC
- Falcon Private Financial Advisors LLC
- Mondial Dubai LLC
- InevstMe Financial Services LLC
- Clearview Financial Consulting LLC
- Macquarie Capital Middle East LLC
- Union Financial Advisors LLC
- Synergy Financial LLC
- Invest AD Asset Management PSC
- Janeiro Capital LLC
- The National Investor
- Acuma LLC
- deNovo Corporate Advisors MENA

company incorporated in the UAE and operates in securities, a local commercial bank, a foreign investment bank, or a foreign bank branch licensed by the mother bank to practice this activity. The requirements include obtaining the approval of the UAE Central Bank in any of these cases and that the paid capital or capital allocated for this activity may not be less than AED50 million.

It is worth noting that according to the regulations, financial analysis and financial consultation services include the provision of opinions and recommendations based on research, studies, and economic and financial analyses relating to feasibility studies, as well as defining the current or future values of securities, commodities,

commodity contracts, and companies which are provided to the customers or disseminated to the public by any means of the various publishing and communication media. Financial analysis is the organized scientific processing of data on the position and performance of companies in the past, present, and predicted future for their business results, as well as the securities commodities, commodity contracts, price trends, and trading volumes.

Securities Custody Companies

National Bank of Abu Dhabi
HSBC Bank Middle East
Deutsche Securities and Services
Standard Chartered Bank
Citibank NA

Dear investor,

Make sure all data in share purchase or sale orders is completed under your supervision prior to signing and handing them over to the brokerage company; so that they cannot be used in a way that would expose you to account manipulation risks.

Securities and
Commodities Authority



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797.3

billion dollars is combined
trading value at GCC
financial markets

At opening of 9th GCC Regulators' Summit **H.E. Sultan Al Mansoori: attractive investment incentives at GCC states attract further capital**

H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and SCA Board Chairman, stressed that the GCC states are endowed with an attractive investment environment, pointing out that the attractive incentives offered attracted further foreign capital in an effort to make use of the investment advantages available.

He added that the attractiveness of the GCC investment environment increased the levels of (institutional and individual) investment and led to the upgrading of some of the GCC markets by global indexes, such as Morgan Stanley Capital International (MSCI), Standard &

Poor's, Financial Times Stock Exchange (FTSE), and others, especially in light of competitiveness and the unique investment advantages. In parallel, the GCC markets witnessed major developments in terms of capital and trade volumes growth in tandem with the legislative, institutional, and regulatory achievements made by these markets, which included developing and automating trade systems using state-of-the-art means of communication for disseminating information and statements, emphasizing the principles of disclosure



and transparency, adopting governance and institutional discipline, and improving the level of services provided by market managers and brokerage companies. There is no doubt that the pace of the unified Gulf march accelerates year after year since the GCC Unified Economic Agreement went into effect in 1981. Ever since, the journey of economic collaboration among the GCC states progresses based on a solid and methodological basis to achieve common goals that mutually benefit their people. This journey had been boosted with the GCC Customs Union establishment in early 2003 and explored new prospects with the establishment of the GCC Common Market in January 2008.

Al Mansoori said: "According to statistics on the performance of the GCC financial markets, the combined trading value for 2014 reached around US\$797.3 billion, the total volume of shares traded in these markets during the same period stood at 140.8 billion securities, and the market value reached US\$1.04 trillion by the end of 2014."

He added, "Locally, the UAE achieved high growth rates in economic activities. Estimates indicate that the local economy has seen a growth rate of about 4.5% in 2014. The UAE has been ranked high on a number of global competitiveness indexes. As to financial markets, the decision to upgrade the UAE markets to emerging markets status

by MSCI went into effect and the second market was launched for the trading and listing of private joint-stock companies' shares. Moreover, the electronic disclosure of financial statements became mandatory through the eXtensible Business Reporting Language (XBRL) and the UAE ranked first on effective corporate boards, according to the annual World Competitiveness Yearbook. SCA's compliance rate to the principles of the International Organization of Securities Commissions (IOSCO) according to the Financial Sector Assessment Program (FSAP), a joint International Monetary Fund (IMF) and World Bank effort, stood at about 86% in 2013, equal with Australia and close to France.

"As to future plans, SCA is currently amending the law on the Emirates Securities and Commodities Authority and Market to regulate the relationship governing entities relevant to the UAE financial services sector; devising the necessary plans, policies, and programs to stimulate the launch of local mutual funds; increasing institutional and foreign investment trade rates; and adopting plans and programs to provide stimulating incentives necessary to attract nationals to the field of financial markets," Al Mansoori said.

He reiterated that "the region and the whole world face clear economic challenges, which we hope to address and overcome. Issues and topics of discussion on this summit's agenda

1.04
trillion dollars is the
market value for the
GCC states

are of high significance, most notably the integration and coordination of legislations governing capital markets.”

Al Mansoori added, “it is worth mentioning the GCC experience in forming the Committee of Heads of Securities Market Regulators of the GCC Member States (financial markets ministerial committee) in May 2010 in an effort to unify financial market policies and regulations to achieve integration, satisfy the requirements of the GCC Common Market, and meet the provisions stipulated in the GCC Economic Agreement concerning the equal treatment of all GCC natural and legal nationals without discrimination in all economic fields, including matters relevant to trading shares and incorporating companies.”

“To this end, a Committee of Heads of Securities Markets Regulators was formed to propose the mechanisms necessary to achieve the integration of the GCC financial markets. Its sustained efforts resulted in adopting the unified rules for listing shares, bonds, sukuk, and mutual fund units in the GCC financial markets, the unified rules for offering shares, the unified rules for disclosure of listed securities, and the unified principles for the governance of companies listed on financial markets,” he added. “Furthermore, two-year draft guidelines were issued and planned to be made mandatory, including the draft unified rules for issuing and offering mutual fund units, the draft unified rules for trade control, and the draft unified rules for issuing and offering bonds and sukuk.”

He said: “Reviewing the other topics of discussion at the summit, we notice that they fall under numerous categories, most importantly modern regulatory and supervisory trends, governance

Lord Mayor of the City of London highlights the professional behavior of regulators



For his part, Alderman Alan Yarrow highlighted the necessity that the behavior of regulators be characterized by professionalism since sound regulations are issued by professionals with good behavior, reiterating that this can be achieved by adopting the best international practices and building good market knowledge.

Yarrow pointed out that there are three areas that call for continuous improvement: knowledge, skills, and behavior. The integration of these three guides us toward the legislations that should be issued and when and how to issue them.

Yarrow indicated that the enormous challenge countries face is to maintain progress, confirming that attention should be given to continuous professional education with focus on learning and qualifications and that regulators should carry this out.

and transparency, Islamic finance, risk management, information security, disseminating the culture of compliance, and combating money laundering as well as the shifting view from the conventional role to the role of developing and facilitating

business environments, all of which are of great significance.” “We cannot overlook the significant role these conferences and events play in disseminating and deepening the culture of securities investment and shedding light on issues relevant to financial

Unifying market regulations and policies to achieve integration



Alissa Amico



Jean-Marc Goy



Rashed Al Baloushi



Lubna Qassim

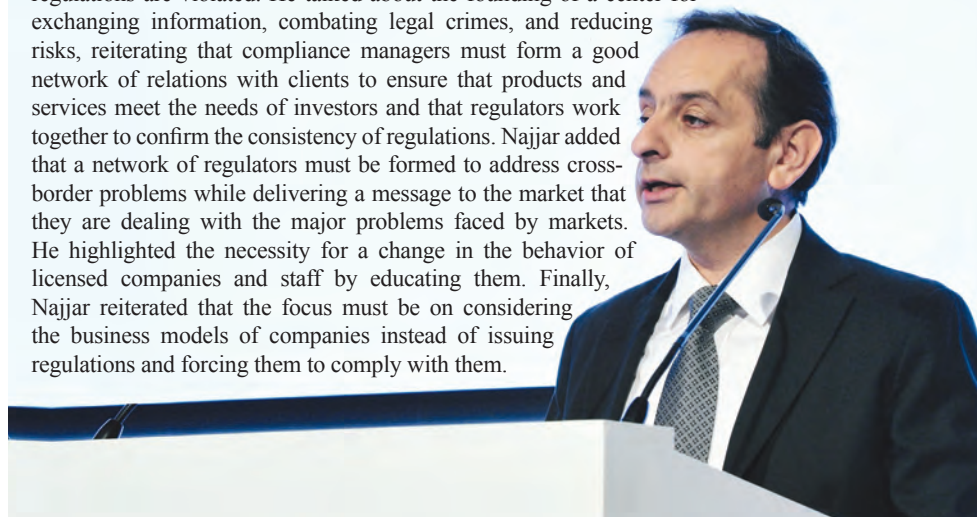


Abdulaziz Al Helaissi

markets, as well as identifying hardships and challenges and finding solutions and methodological approaches to address them,” Al Mansoori said. The conference was attended by Alderman Alan Yarrow, the Lord Mayor of the City of London, H.E. Abdullah Al Turifi, CEO of SCA, H.E. Younis Al Khoori, Undersecretary of the UAE Ministry of Finance, Mohammed Abdul Aziz Al Shehhi, Undersecretary of the UAE Ministry of Economy, Philip Parham, UK ambassador to the UAE, Nicole Bintner, Ambassador of the Grand Duchy of Luxembourg to the UAE, H.E. Ahmed Al Sayegh, the Abu Dhabi Global Market (ADGM) chairman, Rashed Al Baloushi, the Abu Dhabi Securities Exchange (ADX) CEO, and an elite of dignitaries from regulatory authorities, financial markets, brokerage companies, financial services companies, and banks from across the GCC and the world

Nadim Najjar: a center for exchanging information and combating cyber crimes

Nadim Najjar, the Managing Director for Middle East and North Africa, said that executive managers would have a great responsibility once laws and regulations are violated. He talked about the founding of a center for exchanging information, combating legal crimes, and reducing risks, reiterating that compliance managers must form a good network of relations with clients to ensure that products and services meet the needs of investors and that regulators work together to confirm the consistency of regulations. Najjar added that a network of regulators must be formed to address cross-border problems while delivering a message to the market that they are dealing with the major problems faced by markets. He highlighted the necessity for a change in the behavior of licensed companies and staff by educating them. Finally, Najjar reiterated that the focus must be on considering the business models of companies instead of issuing regulations and forcing them to comply with them.



Jonathan Brewer



Ernst Pienaar

Forging a network for regulatory authorities to address problems across borders





Ahmed Al Sayegh: an increasingly important role for the GCC states

Al Sayegh said that this gathering comes at a time when the GCC states stand before a transitional period and the global economy witnesses considerable changes in its recovery from the recession of the past years. While the global economy advances toward a new phase, the increasingly important role the GCC plays worldwide becomes ever more clear. It can now have an effective role in influencing the global agenda of regulators.

We concentrate our efforts to establish ADGM as a reliable, sustainable, and international financial hub based on solid foundations

He added that numerous factors have made this possible, including the upgrading of the UAE and Qatar markets by the MSCI to emerging markets status and Saudi Arabia's intention to open its market to foreign investors, both of which turned the unprecedented attention of major global investors to the region.

Al Sayegh said that with the renewed trust in the region's economies, we must prove to the world that our financial markets have the necessary regulatory infrastructure and regulations that can protect investors and provide the necessary resilience to support capital growth.

He said: "we need to develop effective systems to further advance the growth and prosperity of our financial markets and attract capital from across the globe, which can be achieved through open market consultation, maintaining an atmosphere of openness, and consulting each other to ensure the creation of a highly effective and efficient regulatory environment."

Al Sayegh said: "As GCC regulators and market participants, we must continue to work closely together by holding periodic meetings and leaving the door open for dialogue in forums such as this so that we can learn from each other as we seek to be at the top of global financial centers. We

have made exceptional progress since the establishment of the GCC, thirty-four years ago, a progress that was not possible without the close collaboration among the GCC states to achieve two mutual objectives, stability and prosperity. Putting effective systems in place is a top priority for Abu Dhabi as it seeks to launch its own global market."

In his speech about the plans and latest developments of the ADGM, Al Sayegh said: "Our ambitions are derived from the heart of the UAE's economic vision that aim to create a vital and prosperous financial services sector to support the UAE's economic diversification efforts by laying solid foundations for a knowledge-based economy concurrent with the increasing focus on creativity."

"Over the past year, we have made remarkable progress to meet our ambitions of being at the top of leading global financial centers. We have reached the last phase of developing our regulatory frameworks that are set in line with the best international practices and regulations. Today, we have opened consultations and devised our regulations in cooperation with a specialist team of international legal consultants. We have also formed a committee of expert representatives of more than 16 leading



global institutions to ensure the consistency of our regulatory frameworks with those of our counterparts in the most prominent global financial centers to support the growth and development of the financial services sector,” he added.

“We are pleased that Dhafer bin Dhafer Al Muhairi joined us as Head of the Registration Bureau and Richard Teng will join us next March as Chief Executive of the ADGM, having served as Chief Regulatory Officer of Singapore Exchange. At the ADGM, we are well aware that our objective to become a leading global financial center is not easily achieved. Currently, we focus our efforts to establish the ADGM as an international, sustainable, and reliable financial center built on firm foundations and we will be able to achieve that through the three major pillars of global markets: an international financial services system, a well-established courts system, and a highly efficient registration bureau,” he said.

Al Sayegh said: “To reach our ends, we realize the necessity of holding dialogue with the major parties concerned and reaching a collective agreement on all the aspects of developing the ADGM in general and the regulatory frameworks in particular. We were fortunate that we had the opportunity to review the best existing regulatory frameworks and devise our regulations to meet the requirements of the market we are about to develop. Hence, I am pleased to stand here today next to an elite group of distinguished dignitaries from regulatory authorities. Undoubtedly, this is a unique opportunity for us to work together closely and reach an agreement with the most prominent regulators on how

to address major issues, such as promoting collaboration and supervision among regulators to comprehend the risks that may turn into another financial crisis by learning lessons from the past and considering the gaps that led to the previous crisis. While various regulators work on developing and improving their centers, we must avoid over-liberating the business environment to create employment opportunities and work together to find a global financial system with higher levels of security and balance. Normalizing monetary policies may contribute to boosting liquidity flow, which can affect the stability of the macroeconomy. Consequently, we can make use of finding ways through which these flows can be regulated more effectively.”

He added that in some cases tightening regulatory frameworks may result in the increased probability of transferring risk to other less-regulated sectors, or lead to the increased likelihood of emerging regulatory risks. Al Sayegh said that we must realize that the strictly applied comprehensive regulations are disproportionate to risk and increase compliance costs and the legal costs of financial companies without generating the benefits associated, or perhaps even creating a framework that enables companies to market their products across national borders, including within the GCC states. Ultimately, the regulatory frameworks must be managed and amended to encourage the growth of financial markets. He reiterated that we must collaborate to address issues such as the ones discussed and encourage the growth of capital markets to support the economic stability in our region.

Effective regulations are a top priority for Abu Dhabi in its attempt to launch its own global market

Promoting cooperation and supervision among regulatory authorities to ensure the realization of resulting risks





Having recognized that they rely on institutions **Experts: new incorporation controls for companies protect investors and support IPO market**

According to financial analysts, the new controls issued by the Securities and Commodities Authority (SCA) for offering and listing newly-

incorporated public joint-stock companies was an essential move to provide further protection to small investors and support capital

markets with initial public offerings (IPOs) that would improve market competitiveness and boost investor confidence.



Listing Controls:

1. The company should be listed on the market in the second category so that the market displays companies under this category on a separate screen from the first category companies.

2. The company must appoint a SCA-licensed listing consultant for at least two fiscal years following the listing of the company on the financial market to perform the following tasks:

a) Assist the company, prepare listing documents, advise the company on its readiness for listing, and provide the company

with the necessary consultations during at least two fiscal years following the listing of the company on the market.

b) Constantly report to the market the company's compliance with the listing criteria.

c) Provide investors with information about companies qualified for offering and listing.

d) Support the holding of meetings and gatherings with investors and deliver business reports (at least two reports per year).

e) Serve as a liquidity provider.

These analysts stressed that an essential pillar of the controls emphasizes the need for newly-incorporated companies to rely on institutions and investment funds rather than individuals because such institutions are most capable of making evaluations before engaging in any new IPOs in the market in the upcoming stage.

They said that setting the minimum subscription at AED5 million affirms the fact that subscriptions in newly-incorporated companies are dependable

on institutions and mutual funds. The controls also curb any violations in the provision of funds to participate in new IPOs, which should support secondary markets.

Analysts indicated that the controls identified the activities to be practiced by newly-incorporated companies in a manner that ensures their business success and keeps them from turning into companies that invest investor funds and overlook the activities they were

Incorporation controls under two categories

On January 29, 2015, SCA's Board of Directors approved the controls for offering and listing newly-incorporated public joint-stock companies. The controls issued exclude companies owned by the federal government or local governments, banks, and funding companies, and fall into two categories: listing controls and offering controls.

incorporated for. According to Financial Analyst Ziad El-Dabbas, SCA's initiative to set controls for offering and listing newly-incorporated public joint-stock companies aims at protecting small investors as such controls build on previous experiences in this area. When the shares of such companies are publically offered, subscription is restricted to eligible investors of corporate persons such as banks, financial institutions, mutual funds and other companies and institutions, in addition to solvent individual investors, with the minimum limit of subscription set at AED5 million.

El-Dabbas added that such categories of investors can assess the future performance of companies based on IPO prospectuses, feasibility studies, and other important financial information.

He noted that SCA was keen to set controls for listing such companies on financial markets under the second category so that this category of companies appear on a separate screen from the first category companies. Furthermore, the controls require companies to appoint a SCA-licensed listing consultant for at least two fiscal years following the listing of the company on the market. The consultant should continuously report to the markets the status of compliance with the listing criteria and other requirements that eventually help protecting investors.

He elaborated that many financial markets do not allow newly-incorporated companies to list shares in capital markets before the elapse of two years after incorporation, during which they can realize profits to facilitate the evaluation of share prices by financial markets. El-Dabbas added that many countries do not allow the financing of companies under formation which have not commenced activities through IPOs. The level of awareness and culture of most investors in the region do not qualify them to invest in such companies because it is difficult to

Offering controls

1. Investment in these companies is restricted to eligible corporate investors including banks, financial institutions, mutual funds and other companies and institutions, in addition to the federal government, local governments, or affiliated companies or associations and solvent individual investors, with the minimum subscription set at AED 5 million.

2. Founders of such companies may not include special purpose vehicles (SPVs), whether established in the UAE, a free zone, or abroad.

3. Shares owned by the key shareholders may not be less than the maximum permissible limit, i.e. 45% of the capital. Such key shareholders may not dispose of their shares for a period of no less than two years (lock-up period) pursuant to the Companies Law.

4. The main purpose of the company must be the practice of commercial, industrial, agricultural, real estate, or tourism activities. Such main purpose may not include the acquisition, holding, or partnership in companies or investing in securities.

5. The company must appoint a bank as an underwriter for the IPO.

6. The feasibility study and future financial statements must be compliant with the accounting standards and be approved by an auditor.

7. The IPO prospectus must include a clear statement that the company is still under formation and that the financial statements included in the IPO prospectus represent future financial statements, which are based on assumptions in accordance with the vision of the company's management, without any liability on SCA.

8. The approved business plan upon incorporation shall be an integral part of the memorandum of association. The Board of Directors may not violate, amend, or change such plan without the consent of SCA and the extraordinary general meeting, in which case the founders may not vote on such resolution.

evaluate the fair prices of shares, which are dependable on forecasted performance. In some countries, there are special markets dedicated to newly-incorporated companies although exchanges and capital markets are supposed to be the appropriate place for existing companies, which have track records of accomplishments and profits and which can increase their capital through such exchanges to provide the liquidity needed for expansion and completion of current and future projects.

For his part, Abdullah Al Hosani, Director of Emirates NBD Securities, said that the controls issued by SCA concerning the listing of newly-incorporated companies will give priority to companies

that have an outstanding track record in terms of profitability against companies seeking to draw liquidity from the market and do not have a business history.

Al Hosani added that setting such controls came on the right time following the rising number of companies wishing to convert to public joint-stock ones without having a business history. The entry of some of these companies into the market was a burden on investors.

He stressed that issuing such controls serves the regulation process of the UAE IPO market and ensures the necessary protection for investor funds, in addition to giving priority for investment in companies that ultimately generate rewarding returns to investors.



IFRS for SMEs in UAE

Dr. Walaa Waheed Al Qalsh
Assistant Professor of Accounting, University of Sharjah

Recently, attention increased to adopting International Financial Reporting Standards (IFRS) for Small and Medium Enterprises (SMEs), especially after several studies revealed that SMEs find it difficult to receive the necessary funding to perform their roles in sustainable economic development due to failure to adopt the appropriate financial standards, which can be relied on to reduce the risk of borrowing and minimize the funding cost. Accordingly, the International Accounting Standards Board (IASB) issued IFRS for SMEs in 2009 to simplify such standards and to facilitate implementation procedures. Undoubtedly, implementing these standards will help SMEs receive credit facilities at a reasonable cost and will rise performance rates and development opportunities for this important sector of the local and international economy.

Compliance with implementing IFRS for SMEs allows the opportunity for improving the quality of financial reporting and facilitates procedures of benchmarking, auditing, and financial review by competent authorities. Studies conducted in this area indicate a direct relationship between the quality of disclosure in financial statements and the capacity of companies to attract adequate funding. These IFRS are based on the adoption of simplified accounting methods for recognition, measurement, and financial disclosure in order to encourage companies to follow a standardized accounting framework for financial reporting. IFRS for SMEs comprise 35 articles for financial reporting, including:

definition of SMEs and the concepts, principles, and presentation of financial data. In this context, the UAE institutions paid attention to encouraging SMEs to follow the best management and financial practices to achieve sustainable economic development at the local level as these enterprises contribute roughly 60% of the gross domestic product. Further, SMEs represent nearly 92% of the total enterprises registered and they provide 86% of the jobs of the private sector.

Many of the successful initiatives aiming at developing this important sector can be detected through the issuance of several effective legislations and laws in this area. The issuance of Federal Law No. (2) of 2014 to organize the operations of SMEs tops these initiatives aiming at improving performance and employment rates and promoting investments. The new law



facilities, including allocating a percentage of government procurement, simplifying licensing procedures and charges, assisting in marketing and promotion, and creating a secondary financial market for SMEs in order to increase the contribution of SMEs to the GDP to 70% in 2021. Moreover, this law promotes the adoption of accounting standards, which are consistent with IFRS, in order to overcome the difficulty of getting the necessary funding. Studies indicated that SMEs receive a small percentage of the total local credit, which hinders their

Dubai SME has recently issued the corporate governance guide, which helps in applying the best practices in management. This guide includes nine key steps such as the importance of adopting the adequate financial accounting system, appointing an external auditor to audit financial statements, and setting an internal control system. These wise practices contribute to attracting local and foreign investments, which promote growth opportunities and serve the interests of all parties of society. Accordingly, the successful efforts of institutions across the UAE toward developing SMEs is emphasized through the issuance of many legislations and effective practices, which promote the importance of continuing organizing seminars and workshops to increase the awareness about the importance of taking advantage of such initiatives to improve the performance standard, increasing investments, and achieving the sustainable economic development.

Dear investor,

In general, stock prices are affected by corporate performance as shown in its profits, financial standing and growth potential. They are also affected by the sector's performance and local or international economic and political events.

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According to financial analysts, the allocation account system issued by SCA promotes corporate transparency and disclosure in particular, and financial market dealings in general, stressing that the approval of the system is central to the development of the legislative environment of markets and would attract yet more foreign investments that have already entered local capital markets after the latter have been upgraded by numerous international financial indexes, notably Morgan Stanley Capital International (MSCI).



Analysts: allocation account promotes corporate transparency and attracts further foreign investment

7.6
billion dirhams is
net foreign investment in
local financial
markets in 2014

Net foreign investment in local markets surged to around AED7.6 billion in 2014, with a growth rate of 101%, compared to around AED3.76 billion in the previous year.

According to the analysts, the approved system increases reassurance as well as market depth and resilience, promoting the added value of trades and giving it strong incentive to attract foreign institutions, indicating that the new system offers these institutions with an easy access to shares, which has positive implications on local capital markets through diversifying and stimulating trading activity, which ultimately

promotes the traded liquidity volume.

Jamal Ajaj of Al Sharhan Stock Centre reiterates that the approved system keeps pace with the best international practices, enhancing the investment environment and increasing the flexibility and simplicity of the procedures already in place in relation to the mechanisms regulating capital market operations, in general.

Ajaj explained that the system is characterized by the considerable role it plays in raising the efficiency of the administrative supervisory functions conducted by local markets on daily trading activity, especially the dealings of institutional investors, which





facilitates the detection of any breaches or violations of the trading rules at any time, stressing that such a move is more than good when it comes to boosting confidence in these dealings.

For his part, financial expert Rami Kherissat said that approving the system was the result of considerable efforts made by SCA after coordinating with major foreign investment institutions, which are the main stakeholder of the allocation account run by brokerage companies, which promotes transparency and disclosure for this segment of investors in financial markets.

Kherissat pointed out that brokers collect buying orders for institutional customers via this account and according to their orders. At the end of the daily trading session, brokers must distribute all of the stocks purchased via the account to investors' own accounts registered with the clearing house.

He explained that the allocation account system came to satisfy an important and vital requirement to boost the status of local markets, which have already been upgraded in the past year. Furthermore, the system marks a new step in a series of steps taken over the course of the past years to enhance the legislative environment governing capital market operations, indicating that the system would raise the level of foreign liquidity entering local markets during the next stage.

Kherissat confirmed that the benefit of the account lies in facilitating the management of multi-purchase orders made by financial institutions in need of this type of accounts and raising the efficiency of associated administrative processes, whether in terms of rapidity or flexibility of execution. Besides, orders can be managed readily via the account and liquidity can enter markets easily.

He said that the majority of international

banks already have the system in place, stressing that the main idea behind implementing the system is to receive better prices for allocated shares, stimulating the appetite for more investments in capital markets.

Kherissat did not rule out the possibility of implementing the allocation account system on individual investors during the next stage after it proved successful when implemented in institutions, which would boost capital markets and increase traded liquidity levels.

SCA issued the allocation account system for the purposes of stimulating trading activity, diversifying trades, and increasing liquidity, after reviewing the international practices in place in relation to allocation account systems, taking into consideration all of its related aspects and the possible consequences upon implementation across the UAE markets.

For implementation purposes, approval was given to the amendment of Article (35) of the SCA Board Decision No. (3) of 2001 concerning the Regulations as to the Market Functioning and Article (5) of the SCA Board Decision No. (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership, and Custody of Securities. According to the amendments, trading is possible according to the account while giving the market the power to set the controls and procedures necessary for the implementation of the system, provided that markets approve the account controls following the SCA approval.

**Facilitating
multi-purchase
orders for financial
institutions in need
of this type of
accounts**

In a record growth since establishing financial markets

Profits at national companies soar to AED62.9 billion in 2014

The combined net profits of ADX- and DFM-listed companies leapt to around AED62.9 billion in 2014, with a growth rate of 27%, compared to AED49.51 billion in 2013. This record increase in corporate profits, the first of its kind since the establishment of financial markets, keeps pace with the resurgent economic sectors, notably banking; real estate; investment; financial services; and telecommunications, whose shares are the main drive for market activity.

Financial experts described the financial results these companies reported last year as a turning point in the trajectory of corporate profits and an evident indicator that they are aggressively executing their business strategy, pointing out that the record profitability gained is an attractive element for those investing in these listed companies' shares.

They added that this level of generated profits encouraged companies to increase their dividend payout ratio, thus increasing investor returns and boosting confidence in market transactions since an important portion of these dividend payments is re-injected into trading halls.

The financial results announced by ADX-listed companies showed an

increase in the net profits made in 2014 to about AED35.18 billion, with a growth rate of 15.7%, compared to AED30.4 billion in 2013.

However, the combined profits reported by DFM in 2014 rose by 45% to AED27.78 billion compared to AED19.15 billion in the same period of 2013.

DFM-listed companies witnessed an increase in combined profits reported in the last quarter of 2014 to AED9.66 billion, compared to AED7.49 billion in the same period of 2013, with an increase of 29% to AED2.17 billion in the same period of last year.

ADX-listed companies, however, reported a decline in combined profits in

the fourth quarter of 2014 to AED4.51 billion, compared to AED5.01 billion in the same period of 2013, with a decline of 15% to AED507.8 million in the same period of last year.

"After the strong resurgence of various economic sectors, an increase in corporate profitability was expected. However, hitting these record levels exceeded all expectations", said Hesham Amer, CEO of Delma Brokerage. He reiterated that companies maintaining the trajectory of profits is seen as an encouraging factor for others to make investments in their ADX- and DFM-listed shares.

Amer added that companies generating high profitability rates came in tandem with a generous increase in dividend payout ratios, thus boosting confidence in continued investment and attracting new liquidity now that a new segment of investors decided to buy these companies' shares.

He stressed that corporate profitability growth rates will continue to rise in the current year with many supporting incentives, including the improvement in the performance of listed companies.

The banking sector accounted for most of the profits secured as 22 banks reported

35.18
billion dirhams is the
net profits of ADX-listed
companies in 2014

35.16

billion dirhams
is the net profits of
22 banks in 2014

11

billion dirhams is the net
profits secured by the
telecommunications
sector in 2014



32%

is the contribution of
the banking sector in
the combined profits
in ADX in 2014

an increase in net profits to AED35.16 billion in 2014, with a growth rate of 25.7%, compared to AED27.97 billion in the same period of 2013.

Whereas 14 ADX-listed banks reported a net profit of AED23.2 billion at the end of last year, with a growth rate of 15.8%, compared to the same period of 2013, 8 DFM-listed banks announced an increase in net profits of 50.8% to AED11.9 billion, compared to AED4.03 billion at the end of last year.

The profits generated by all ADX-listed banks surged by 17.2% in the last quarter of 2014 to AED5.67 billion, compared to AED4.84 billion in the same period of 2013. The National Bank of Abu Dhabi (NBAD), the highest profit-generating bank, reported profits of AED1.38 billion, accounting for 27%, compared to AED1.09 billion in the fourth quarter of 2013.

The First Gulf Bank, the second largest Abu Dhabi-based bank in terms of assets, reported profits of AED1.55 billion at the end of the fourth quarter of 2014, with a growth rate of 13%, compared to the same period of 2013.

In DFM, the banking sector accounted for most of the corporate combined profits secured in the fourth quarter of 2014, accounting for 32%, and the majority of banks reported an increase in profits in the fourth quarter of 2014.

The combined profits secured by the

banking sector amounted to AED3.09 billion in the fourth quarter of 2014, compared to AED1.96 billion in the same period of 2013, with a growth rate of 57.4%.

Emirates NBD, the highest profit-generating listed bank, secured profits of AED1.23 billion at the end of the fourth quarter of 2014, with a growth rate of 82%, compared to the profits made in the same period of 2013.

27.78

billion dirhams is the
net profits of DFM-listed
companies in 2014

In the real estate sector, the profits made by 10 real estate companies listed on ADX and DFM leapt to around AED11.2 billion at the end of 2014, with a growth rate of about 13.6%, compared to net profits of AED9.7 billion secured in the same period of 2013.

Profits secured by the telecommunications sector in both ADX and DFM in 2014 amounted to around AED11 billion, with a growth rate of 21%, compared to profits of AED9.06 billion reported in 2013.

The same sector accounted for 47.5% of the gross combined profits in ADX in the fourth quarter of 2014. Etisalat, the largest ADX-listed company, secured profits of AED2.14 billion in the fourth quarter of 2014, with a growth rate of 47%, compared to the same period of 2013.

In contrast, the ADX-listed energy sector contributed to a decline in gross profits in the fourth quarter of 2014, having reported a 47.5% increase in losses to around AED3.65 billion, compared to AED2.47 billion. This increase in losses is due to the AED 3.63 billion losses reported by the Abu Dhabi National Energy Company (TAQA), compared to AED2.60 billion in the fourth quarter of 2013 and the AED15 million losses reported by Dana Gas, compared to profits of AED128 million in the same period of 2013.

47.5%

is the contribution of the
telecommunications sector
in the combined profits in
ADX in the fourth quarter

11.2

billion dirhams is the profits
generated by 10 real estate
companies in 2014



Banking sector accounts for most of dividends paid

73 national listed companies distribute AED29.05 billion as cash dividends and 4.67 billion bonus shares

Having been approved by the general meetings of shareholders, listed national companies announced cash dividend payments and bonus shares of around AED33.720 billion for 2014, of which AED29.054 billion was distributed as cash dividends and worth AED4.666 billion of bonus shares, according to an official survey.

The sustained growth in dividends paid to shareholders follow a record surge in the net profits earned in 2014, amounting to around AED62.96 billion, with a growth rate of 27%, compared to AED49.56 billion in the year before.

This record increase in corporate profits, the first of its kind since the establishment of capital markets, keeps pace with the resurgent economic sectors, notably banking and real estate, whose shares are the main drive for market activity.

The banking sector continued to account for most of the total dividends

paid to shareholders as 20 banks paid AED18.510 billion, of which AED15.923 billion was distributed as cash dividends and 2.587 billion as bonus shares. The telecommunications sector came in second, with total dividends of AED7.785 billion, of which AED6.995 billion was distributed as cash and around 790 million as bonus shares, followed by the real estate sector, with total dividends of AED2.885 billion, of which AED1.988 billion was distributed as cash and around 897 million as bonus shares. Then came the investment, financial services, insurance, and consumer staples sectors.

The number of national companies that made cash dividend payments to shareholders from the banking sector amounted to 17 banks, who distributed

AED15.923 billion, accounting for 54.9% of the total cash dividends paid by all national companies; followed by the telecommunications sector, which accounted for around 24% paid by two companies (Du and Etisalat); and the real estate sector, accounting for 6.8%. Then came other sectors.

As to bonus share distribution, the banking sector has again accounted for most of the shares distributed, with 2.587 billion shares, accounting for 55% of the total bonus shares distributed by all national companies; followed by the real estate



sector, with 897 million shares, accounting for 19.2%; and the telecommunications sector, with 790 million shares, accounting for 16.9%.

In the banking sector, the First Gulf Bank made the list of the most dividend-paying bank as it distributed 100% as cash dividends, worth AED3.9 billion, and 15% as bonus shares, which is equivalent to 600 million shares; followed by Abu Dhabi Commercial Bank (ADCB), who paid AED2.238 billion; Emirates NBD, who paid AED1.945 billion as cash dividends; the National Bank of Abu Dhabi (NBAD), who distributed AED1.892 billion and around 473 million bonus shares; and Dubai Islamic Bank (DIB), who paid AED1.578 billion as cash.

As to the real estate sector, cash dividend payments by Emaar amounted to AED1.074 billion whereas payments by Aldar Properties stood at AED708 million. Union Properties paid around AED106 million in cash and RAK Properties paid AED100 million. As to bonus shares, Arabtec distributed bonus shares worth AED220 million, DAMAC Properties distributed shares worth AED500 million, and Union Properties distributed shares worth AED177 million.

ADX topped the list of cash dividend payment rates made by the region's exchanges to listed companies' shareholders; it made payments of AED19 billion, excluding bonus shares, whereas the DFM made payments of AED9.557 billion.

According to analysts' expectations, over AED20 billion of dividends has been

re-injected into the still-resurgent markets since early 2015, which means that the rate of return on equity investment is the most feasible compared to other investment instruments.

With the sustained dividend growth rate, total cash dividend payments by ADX- and DFM-listed national companies for the past four years stood at AED94.1 billion, of which AED40 billion was distributed in 2011 and 2012. Consequently, the UAE markets continue to top the list of the most return-generating markets for Arab and GCC investors, in general.

Commenting on dividend payments by national companies, Rashed Al Baloushi, CEO of ADX, said the volume of cash dividend payments made in the past year confirms the attractiveness of the UAE markets, which exceeded many markets across the region and made the highest cash return on investment. He stressed that the surge in dividend value attracts yet further investments. As to the significance of paying dividends more than once a year, Al Baloushi said that more than one dividend season is beneficial and that he believes that if applied, it will attract huge cash flows from the region's countries to the UAE, particularly if we take into consideration that dividend payments are made only once in other regional markets and most international ones. The existence of Emirati companies, beside Etisalat and Du, that make dividend payments twice a year will attract billions of dirhams to make use of high cash return of no less than 6% compared to low interest rates.

94
billion dirhams is
listed companies'
dividend distribution
for 4 years

Comparison of the Financial indicators of the regions markets

Financial market	Total dividends distributed (billion dolar)	Listed companies market value (billion dolar)	2013	2014
			Market cash return (%)	Market cash return (%)
Abu Dhabi	5.32	114	3.8	4.6
Muscat	0.92	21	4.4	4.4
Bahrain	0.96	22	4.2	4.4
Qatar	7.36	183	3.4	4.0
Kuwait	3.18	87	3.1	3.6
Saudi Arabia	15.91	568	2.9	2.8
Dubai	2.60	93	2.2	2.7

Two seminars on mechanisms for financial market operations

As part of its investment awareness program, the Securities and Commodities Authority (SCA) held two seminars on the mechanisms for capital market operations in Abu Dhabi and Dubai. The seminar was given by Soha Hanafy, a Senior Financial Analyst at the SCA Research and Financial Analysis Section.



The seminar reviewed the benefits of capital markets in terms of providing governments and corporations with the appropriate funding to achieve their ends and expand their activities, which will in turn benefit the entire economy, especially when it comes to: stimulating positive growth, creating employment opportunities, guiding individuals to invest savings in instruments with sufficient liquidity to make lucrative returns, efficiently allocating economic resources to their best use, providing funding for sectors in financial deficit, setting fair asset prices, and mitigating the impact of inflationary pressures that may result from relying on banking resources.

The seminar also reviewed the objectives of investing, i.e. saving money for future use and providing an additional source of income, or securing essential needs, and compensating for the inflationary impacts on savings caused over time.

The seminar detailed mechanisms for the operation of investment portfolios; steps to build portfolios; the significance of clearly identifying the investment policy through inputs from investors, which are the objectives of

investment returns; risk handling; and other investment determinants, notably the required liquidity, the time period available, and how investment assets are distributed in the portfolio on various asset categories.

Furthermore, the seminar addressed how to calculate returns on each investment instrument and the portfolio

as a whole, in addition to trading requirements and mechanisms, explaining the significance of financial indicators and how to interpret them. Hanafy concluded by offering investors some important tips and reviewing the SCA role in regulating and overseeing the markets, protecting investors, and enhancing investor awareness.

Financial markets provide sufficient government and corporate funding

Hanafy addressed various asset types, starting with shares. She explained the distinction between primary markets and secondary markets, share returns, and the most important factors impacting them and their method of calculation. Hanafy addressed the difference between government bonds and corporate bonds, bond returns, as well as types of mutual funds and their investment advantages and types of commodities and how to invest in them, directly or indirectly.

The seminar indicated the importance of understanding the

relationship between risk and return to better develop the investment strategy while focusing on three main principles that investors must bear in mind at all times: the relationship between risk and return is positive, investor willingness and ability to handle risk varies, the significance of diversifying portfolio investments as diversification minimizes risk, compensating for the bad performance of some investments, and diversifying return sources. Hanafy also conducted a comparison of investment risks and returns and various assets.



SCA reviews mechanisms for mutual funds

As part of its investment awareness program, the Securities and Commodities Authority (SCA) held an investment awareness seminar on mutual funds at its Abu Dhabi main office and Dubai branch office. Given by the SCA Senior Research and Studies Consultant Dr. Majed Muhtaseb, the seminar was attended by a great number of specialists, investors, and stakeholders.

The fundamental objective of the seminar was to introduce participants to mutual funds. It gave special emphasis to how funds operate, how they are structured, and other industry-relevant operational and technical aspects.

The seminar discussed many key points. It defined mutual funds as a collective investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities, such as stocks, bonds, money market instruments, and similar assets.

Muhtaseb explained that selecting securities depends on the investment policy and objective of the fund, taking into consideration that these funds are operated by professional investment managers, who invest in the fund's capital and attempt to produce capital gains and income for its investors. The mutual fund portfolio is structured and maintained to match the

investment objectives stated in its prospectus.

He explained that mutual funds are popular investment vehicles for investors. Compared to other instruments, the simplicity of mutual funds, along with other attributes, provides a great benefit to investors with limited knowledge, time, or money.

The seminar examined various mutual fund classifications, notably: money market funds, fixed income funds, sector and bond funds, index funds, fund of funds, and balanced funds to provide participants with a deep understanding of the many different types available to investors according to their investment objectives.

Muhtaseb discussed the costs of investing in mutual funds, including front and back-end loads, exit fees, management and subscription fees, operating fees, and marketing fees. There are also disadvantages of mutual funds that may vary, depending on the type of fund, including high expense ratios, sale charges, mismanagement, unqualified fund managers, excessive and unnecessary selling and buying of investments, which happen when fund managers abuse their authority.



Presented by SEC Commissioner SCA hosts dialogue session on challenges facing US regulators

The Securities and Commodities Authority (SCA) hosted Daniel Gallagher, Commissioner of the US Securities and Exchange Commission (SEC), who gave a presentation about SEC and the forms of cooperation between the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB).

Throughout the session, Gallagher noted that the UAE has made considerable achievements as an international financial hub and an important emerging market and described it as a “laboratory” for innovation and creativity. He praised the attention the country gives to opening channels with financial markets across the globe and explained that his perspective was the result of following up and focusing on global financial hubs, such as Hong Kong, Singapore, Shanghai, the European Union, as well as on unconventional financial markets and developing markets, in addition to observing what is happening in other markets in different parts of the world.

Speaking of the US acts, Gallagher said that they often come as a response to global crises. The Securities Act of 1933 and the Securities Exchange Act of 1934 were passed as a response to the Great Depression in 1929, the Sarbanes-Oxley Act was enacted as a reaction to the dot-com bubble and major corporate accounting frauds, and the Dodd-Frank Act was enacted in 2010 as a response to the global financial crisis. Gallagher indicated that

this Act does not exclusively address the problems that emerged during the crisis, but deals with many other issues of concern to the US economy as well as the US financial markets.

He explained that the Act includes some general provisions and assigns regulators the task of issuing specific rules and regulations (SEC is required to issue 100 regulations) to deal with the matters addressed by the Act. Gallagher added that the Act is still highly controversial in government and market circles for its radical changes and regulatory burdens.

Speaking about the initial public offering (IPO) market, Gallagher indicated that in 2008, the US markets were unattractive with few IPOs relative to other European and Asian markets. This prompted the SEC’s committee to make necessary efforts and review international experiences, which resulted in the passage of the Jumpstart Our Business Startup Act (JOBS) in 2012, the first to be passed in a long time to ease regulatory burdens. The main objective of the JOBS Act was to make available new opportunities and means for medium-sized and emerging growth companies, whose total annual revenues barely exceeds one billion dollars, to achieve the necessary growth and provide job opportunities to address the problem of increased unemployment.

Investors may make some mistakes during share trading. Following are some common mistakes made by investors.



Investors may make some mistakes during share trading. Following are some common mistakes made by investors.

Investor mistakes classified as violations of Federal Law No. (4) of 2000 and the regulations issued thereunder.

1. Executing front-running transactions based on information related to orders made by other investors and exploiting such information to achieve personal gains.

2. Entering buying orders at different and gradual rates in small amounts to support selling transactions carried out by investors in large amounts so that the stock price is not affected backward.

3. Executing counter transactions under agreement between investors to arrange such transactions among them and exchange positions (buying or selling) with the objective of creating an unreal active market for a certain security or affecting the volume of its trading in the market.

4. Entering a (buying) order for a price close to the execution price and when the

execution price is close to the price subject of the order, investors adjust or cancel the order to abort the execution in order to support the buying transactions performed by investors.

5. Investors executing counter transactions between their accounts and through different brokerage companies to conceal manipulations that aim at influencing the stock price.

6. Investors executing counter transactions among their personal accounts in their capacity as agents for other investors; and thus, the maker of buying and selling decisions is the same one investor at the same time through two different brokerage companies in order to influence the stock price.

7. Influencing the closing price by performing buying transactions of limited volumes (e.g. 50 stocks) of the stocks of a certain company at the end of the trading session. This may be done throughout consecutive sessions to influence the stock price.

8. Disseminating incorrect information

about buying offers for the stocks of some companies and circulating rumors about material developments whether (positive) such as a merger with a leading company or entering into contracts or deals that generate large income for such company, or (negative) such as liquidation or declaring of bankruptcy of a company in order to perform buying and selling transactions to generate profits or avoid losses.

9. Insiders at listed companies (whose stocks are traded in the market) performing trades during the lockup period of disclosure of material information which would influence the stock price ten days before the announcement of such information and until the date of announcement.

10. Insiders at listed companies performing trades during lockup periods of disclosure of financial statements of the listed company fifteen days after the expiry of quarter, semiannual, or annual financial period and until the date of announcing financial statements.

Mutual Funds

The Securities and Commodities Authority (SCA) published a booklet on mutual funds as part of a series of publications that aims at highlighting available investment opportunities in financial markets and explaining investment regulations.

The booklet defines mutual funds as an investment vehicle made up of a collection of securities selected in accordance with particular standards to secure diversification benefits and decrease the risk level.

It explains that mutual funds are the ideal solution to investors in many cases. They guard investors against the violent fluctuations financial markets experience from time to time and make investment a risk better managed by professional experts with knowledge of local and international markets activity.

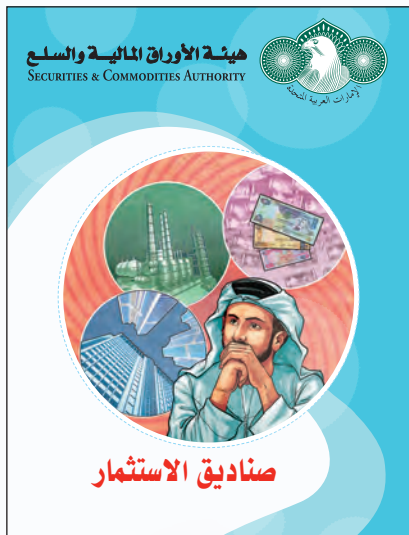
The booklet examines two types of mutual funds: closed-end funds and open-end funds.

It points out that a closed-end fund raises a fixed amount of capital through an initial public offering (IPO) for a definite or indefinite period. Its investment units are listed on a stock exchange and its prices are determined in the same manner corporate stock prices are. Holders of these shares or units can sell them within the market and the rest of market participants can acquire them once they are offered.

Open-end funds, on the other hand, do not have a fixed capital and may issue new shares. The management of the fund is committed to meet requests for redemption submitted by share or unit holders when they wish.

The booklet further explains that open-end funds are not listed on regulated or unregulated markets. Rather, companies issuing or incorporating these funds publish buying and selling prices in the financial press and the management maintains these prices for buying and selling purposes.

The booklet lists the advantages of these funds, pointing out that investors make use of the expertise and capacity of those managing the fund and its investments, in addition to taking advantage of the fund's diversified investments.



These funds provide accurate auditing records of fund operations, which help investors in open-end funds to follow up on their investment conditions. They also provide continuous data on a daily basis, in addition to meeting redemption requests.

The booklet addresses mutual fund risks, including market risks: the potential decline in the value of fund investments as a result of a general decline in the market. These are called financial risks that may occur when investing in securities.

Mutual funds may also be subject to interest rate risks and immediate decline in the value of some financial investments, such as bonds and other securities, as a result of an increase in interest rates.

They may also face inflation risks stemming from a fall in the purchasing value of money.

As to the procedures of trading fund units, the booklet explains that the fund determines how its units are redeemed. The management also appoints a committee that performs periodic calculations of unit prices as the fund may impose a fixed fee charged to investors at the time of purchase

or redemption.

Close-end fund units are traded by brokers in financial markets for a fixed commission determined by the law. Open-end fund units, however, are traded with the fund directly for fees determined by regulatory authorities.

The booklet examines the mechanism for measuring mutual funds, pointing out that it is done by making a comparison between the financial statements the fund releases periodically and those released by the same fund in previous years, or those released by similar funds, to learn about the management's true efforts and how successful they have been in realizing its stated investment objectives.

It indicates that the fund's financial statements include details of its investments, the market value of investments at the time of issuance, net investment value, nature of dividends distributed to shareholders, and other expenditures and expenses. The booklet mentioned a number of mutual funds, notably growth funds, growth and income funds, bond funds, balanced funds, aggressive growth funds, stock index funds, exchange-traded funds, real estate funds, and Islamic funds. It provides investors with a number of tips, notably having good knowledge of all of the terms, conditions, and regulations relevant to the type of fund. It also stresses the importance of making sure that the fund is run by a management team with extensive expertise in this field and that it employs internal and external auditors to make sure that its accounting operations are sound and in compliance with the regulations and legislations.

