

**Cabinet Resolution No. () 2018 Concerning the Issuance of Preferred Shares by Public
Joint-Stock Companies and the Governing Rules and Procedures Thereof**

The Cabinet, having perused,

The Constitution;

The Federal Law No. (1) of 1972 concerning the Functions of Ministries and Powers of the Ministers and the amending laws thereof;

The Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, and the amendments thereof;

The Federal Law No. (2) of 2015 concerning Commercial Companies;

The Federal Decree No. (130) of 2017 on the Formation of the Cabinet of the United Arab Emirates;

The Cabinet Resolution No. 12 of 2000 concerning the Regulations as to Listing of Securities and Commodities, and the amendments thereof;

The Cabinet Resolution No. (13) of 2000 concerning the Regulations as to the Functioning of the Emirates Securities and Commodities Authority, and amendments thereof;

The Cabinet Resolution No. (14/8M) of 2017 on the Restructuring of the Board of Directors of the Securities and Commodities Authority;

The Decision of the SCA Board of Directors at its meeting No. (...) of dated .../.../..... concerning the approval of the Regulations as to the Issuance of Preferred Shares by Public Joint-Stock Companies and the Governing Rules and Procedures Thereof;

The Cabinet Resolution No. (...) of concerning the Regulations as to the Issuance of Preferred Shares by Public Joint-Stock Companies and the Governing Rules and Procedures Thereof, and

Based on the recommendation of the Minister of Economy and Chairman of the SCA Board of Directors and the approval of the Cabinet

Has resolved

Article (1)

The following words and expressions shall have the meanings assigned thereto below, unless the context requires otherwise:

State/UAE:	The United Arab Emirates
Authority:	The Securities & Commodities Authority
Companies Law:	The Federal Law No. (2) of 2015 concerning the Commercial Companies or any amending or superseding law thereof.
Central Bank:	The Central Bank of the UAE
Market:	The Securities Market licensed in the State by the Authority
Board:	The Board of Directors of the Authority
Preferred Shares:	Shares issued by a public joint-stock company in accordance with the provisions of this Decision which grant their holders specific privileges and preferential rights.
Company:	A public joint-stock company which wishes to issue Preferred Shares.
Redeemable Preferred Shares:	Preferred Shares that the Company may redeem upon payment of the value thereof in cash to their holders either after the elapse of a period of time or on a date specified in the Prospectus.
Convertible Preferred Shares:	Preferred Shares that grant their holders the right to convert them into common shares after the elapse of a period of time or on a date specified in the Prospectus.
Variable Preferred Shares:	Preferred Shares that allow their holders to change them into a debt instrument after the elapse of a period of time or on a date specified in the Prospectus.
Participating Preferred Shares:	Preferred Shares that grant their holders the right to receive a specific ratio of dividends and/or additional profit ratio in accordance with the conditions set out in the Prospectus.
Cumulative Preferred Shares:	Preferred Shares that grant their holder the privilege of collecting the dividends cumulatively for each preceding fiscal year for which the dividends were not distributed plus the dividends prescribed thereto in that fiscal year.
Preferred Share Issuance Period:	The interval that starts from the date of issue of the Preferred Shares until the date of redemption thereof by the issuer or conversion thereof to common shares, or changing thereof into a debt instrument in case the Preferred Shares are redeemable, convertible or variable.
Undertakings:	The undertakings issued by the Company in favor of the holders of Preferred Share concerning protection of their rights and privileges, which are incorporated in the Prospectus, including but not limited to, the

Undertaking by the Company not to issue new Preferred Shares that affect the holders of the previously issued Preferred Shares without their consent.

Scope of Application and General Conditions

Scope of Application

Article (2)

The provisions of this Decision shall apply to the public joint-stock companies wishing to issue Preferred Shares.

General Conditions

Article (3)

A Company that wishes to issue preferred Shares shall satisfy the following conditions:

1. Payment of the nominal value of all issued common shares.
2. The value of the Preferred Shares required to be issued is fully paid.
3. The total value of the Preferred Shares issued by the Company shall not exceed the rate of 20% of the issued capital.
4. The Company's Memorandum and Articles of Association expressly permit the issuance of Preferred Shares.
5. A special resolution must be issued by the Company's General Assembly approving the issuance of Preferred Shares. Such resolution must determine the terms and conditions of the issuance of the Preferred Shares and the type of privileges granted thereto in particular. The Board of Directors may not be authorized to set such terms or the privileges granted to the Preferred Shares.
6. The special resolution concerning the issuance of Preferred Shares shall authorize the Company's Board of Directors to:
 - a. Implementing the General Assembly's resolution issuing the Preferred Shares within one year from the date of issue of the General Assembly's special resolution, otherwise, the resolution shall be deemed null and void.
 - b. Performing the redemption / conversion / change of the Preferred Shares in accordance with the terms and conditions and as per the procedures set forth in the Prospectus.
7. In case the Preferred Shares are convertible, the total issued capital and value of Preferred Shares issued may not exceed the Company's authorized capital (if any) on the conversion date, taking into account the national shareholding ratio and the acquisition rules set forth in the applicable laws and regulations in the State.

8. The term of the Preferred Shares may not be shorter than one year. The Prospectus shall determine the date of maturity, call, redemption, conversion or change, if any.

Issuance of Preferred Shares

Issuance Requirements

Article (4)

1. The Preferred Shares of the same type must have equal rights, privileges, and obligations.
2. The Prospectus of the Preferred Shares must include the mechanism of redemption, conversion, change or call of such shares, as well as the conditions and undertakings thereof and the risks of investment therein.
3. The terms of the issue may not be amended; and the rights or privileges associated with the Preferred Shares and contained in the Prospectus may not be amended or cancelled except under a special resolution by the General Assembly and after the approval of a special General Assembly attended by the holders of the Preferred Shares – subject of the amendment or cancellation - by a majority of three quarters of the shares represented in the meeting. Such resolution shall only apply to the holders of the Preferred Shares who approved the resolution.
4. Notwithstanding the provision of Clause (3) of Article (3) of this Decision, the decrease of capital shall not apply to the Preferred Shares.
5. Invitation to attend the special Assembly for the holders of a certain category of the Preferred Shares shall be made in accordance with the terms and procedures applicable to the Company's General Assembly.

Article (5)

Request to Approve the Issuance

A Company wishing to issue Preferred Shares shall apply to the Authority for approval using the form designated for this purpose. The application shall be signed by an authorized signatory on behalf of the Company and shall enclose the following documents:

1. An application addressed by the Company to the Authority to issue Preferred Shares.
2. A copy of the Memorandum and Articles of Association.
3. The latest audited annual and interim financial statements of the Company.
4. A copy of the special resolution issued by the Company's General Assembly which approved the issuance of Preferred Shares.
5. The study which was presented to the shareholders during the General Assembly which shows the justifications and benefits which will be gained by the Company from the issuance of Preferred Shares and a plan to use the subscription proceeds and the expected returns.

6. Draft Prospectus of the Preferred Shares issue according to the form prepared by the Authority.
7. The approvals on the issuance of Preferred Shares by the relevant regulators (the Central Bank and the Insurance Authority for the companies licensed thereby).
8. Proof of payment of the fees for considering the application as prescribed by the Authority.
9. Any other documents or requirements as determined by the Authority.

Article (6)

Management of the Issue

The Company shall appoint an Issuance Manager licensed by the Authority to manage the issuance of Preferred Shares and subscription therein and provide the Authority with the data and information throughout all stages of the issuance.

Preferred Shares Issue Approval Procedures

Article (7)

1. The Authority shall issue its decision approving or rejecting the application within 20 working days from the date of submitting a complete application. If the Authority fails to issue its decision in this regard within such period, it shall be deemed rejection of the application. The Authority shall link its approval with the conditions or restrictions as it determines in accord with the requirements of public interest.
2. The Authority's decision rejecting the application for issuance may be challenged within 5 working days from the date of notification of such decision, or the date on which the application was deemed rejected. The grievance shall be submitted to the Chairman of the Authority's Board of Directors. A decision on the grievance shall be taken within 15 working days from the date of submitting the complete complaint.

Listing of Preferred Shares on the Market

Article (8)

Subject to the approval of the Authority, the Market shall set the procedures and technical controls governing the listing, trading and clearing of the Preferred Shares.

Trading, Clearing and Settlement of Preferred Shares

Article (9)

1. For all matters not provided for herein, the Authority's Board of Directors Decision No (2) of 2001 concerning the Regulations as to Trading, Clearing, Settlements, Transfer of Ownership and

Custody of Securities, or any other amending or superseding decision thereof that apply to the Preferred Shares listed on the Market.

2. Subject to the approval of the Authority, the Market shall set the procedures and technical controls which allow the trading, clearing and settlement of the Preferred Shares.

Ongoing Obligations of the Listed Company

Article (10)

1. For matters not provided for herein, the Authority's Board Decision No (3) of 2000 concerning the Regulations as to Disclosure and Transparency, or any other decision that amends or supersedes the same shall apply to the companies that list Preferred Shares listed on the Market.
2. The Company shall notify the Authority and the Market of any event, developments or material information that would affect the price of or volume of trading in the Preferred Shares, the transactions executed thereon in the Market, or the Company's ability to perform its obligations, immediately once the Company becomes aware of such event, developments, or information.
3. The Company shall immediately notify the Authority and the Market of any of the following events, developments or information once the Company becomes aware thereof:
 - a. Planning to issue any new category of the Preferred Shares by the Company.
 - b. Any proposal to amend or alter the terms and conditions of the Preferred Shares.
 - c. Any cancellation, redemption, conversion or change of the Preferred Shares.
 - d. Any development that would affect the issuer's ability to perform its obligations.
 - e. Any violation of the conditions governing the issuance or listing of the Preferred Shares.
 - f. The dates and agenda of the special General Assembly meeting attended by the holders of the Preferred Shares prior to the date of serving the invitation for the meeting. The Company shall provide the Authority and the Market of the resolutions taken thereby immediately after the meeting conclusion.
 - g. Any proposal to issue new securities by the Company.
 - h. Any proposed change in the structure of the Company's capital which would materially affect the holders of the Preferred Shares.
 - i. Any decision to change the general features or the nature of the Company's business if such change may have materially adverse impact on the holders of the Preferred Shares.
4. Notify the Authority and the Market of any purchase, cancellation, redemption, conversion or change of the Preferred Shares in favor of any member of the Associated Group of the Company prior to executing any of the said transactions.

Suspension and Cancellation of the Listing of the Preferred Shares

Article (11)

1. The Authority may cancel or suspend the listing of the listed Preferred Shares if the Company is in breach of any condition set forth herein or to best serve the public interest.
2. The Company may submit a justified request to suspend the listing of its Preferred Shares on a temporary basis. The Authority may accept or reject the request at its sole discretion of the reasons for suspension in a manner to serve the public interest.

Redemption/ Conversion/ Change of the Preferred Shares

Article (12)

1. Redemption / conversion / change of the Preferred Shares shall be made in accordance with the terms, conditions and procedures set forth in the Prospectus.
2. The Company shall notify the Authority and the respective Market and any regulator overseeing the Company of any redemption / conversion / change of the Preferred Shares (30) days prior to the date of such redemption / conversion / change.
3. Within (5) working days after the redemption / conversion / change, the Company shall provide the Authority with the following documents using the form prepared by the Authority for this purpose:
 - Number of Preferred Shares which were redeemed / converted / changed, and their value and ratio of the capital.
 - Number of Preferred Shares which were not redeemed / converted / changed (if any), and their value and ratio of the capital.
 - Date of the redemption / conversion / change.
 - Price of conversion / change
 - Number of common shares to which the Preferred Shares were converted and their value and ratio of the capital.
 - Number of debt instruments to which the Preferred Shares were changed and their value.
4. In the event the holders of the Preferred Shares are not required to pay the redemption value within (3) months from the date of redemption, the Company shall open a special bank account and transfer the total outstanding redemption amount to this account and shall not use this money for any purposes other than the redemption of the Preferred Shares to the respective shareholders.
5. The Company shall keep a statement listing the names of all the holders of the Preferred Shares who are entitled to receive the redemption amount and details thereof.
6. Any fractions arising from the conversion / change of the Preferred Shares shall be settled.

Final Provisions

Penalties

Article (13)

- I.** Acts in violation of the provisions of this Decision shall be subject to the penalties set forth in the Companies Law and to the controls and procedures of conciliation in the crimes related to the public joint-stock companies issued by the Authority.
- II.** In the event of violation of the provisions of this Decision or the regulations issued thereunder, the Authority may impose one or more of the following penalties:
 1. Issue a warning to the violator and oblige him to correct the violation during the period set by the Authority.
 2. Impose a financial fine of not less than One Hundred Thousand Dirhams and not more than One Million Dirhams.
 3. Suspend the validity of the Prospectus of the Preferred Shares and stop the issuance, offering and/or subscription operations.
 4. Cancel the Prospectus of the Preferred Shares and oblige the entities receiving the subscriptions to refund the amounts paid by the subscribers and the proceeds derived therefrom.
 5. Suspend or cancel the listing of the Preferred Shares.

Article (21)

The Authority shall issue the regulations, forms and procedures required to implement the provisions of this Decision.

Article (22)

Any regulations or decisions contrary to or in conflict with the provisions of this Decision are hereby revoked.

Effective Date

Article (23)

This Decision shall be published in the Official Gazette and shall come into force on the day following its date of publication.

Prime Minister

Issued in Abu Dhabi on .../.../2018

