

**United Arab Emirates**

**The Cabinet**

**The Cabinet Resolution No. (36) of 2022**

**Concerning Regulating Activity of the Crowdfunding Platform Operator**

**The Cabinet** Having reviewed:

- The Constitution;
- Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, as amended;
- Federal Decree Law No. (32) of 2021 concerning Commercial Companies;
- Cabinet's Resolution No. (11) of 2000 concerning the Regulations as to Market Licensing and Supervision.
- Cabinet's Resolution No. (13) of 2000 concerning the Regulation as to the Functioning of the Securities and Commodities Authority, as amended;
- Based on what is presented by the Chairman of the Securities and Commodities Authority and the approval of the Cabinet

Has decided:

## **Article (1)**

### **Definitions**

In application of the provisions of this Resolution, the following words and phrases shall bear the meanings assigned thereto, respectively, unless the context otherwise requires.

**The State:** The state of United Arab Emirates.

**The Authority:** The Securities & Commodities Authority (SCA).

**The Board:** The Board of Directors of the Authority.

**Market:** The securities market licensed in the State by Authority.

**Rulebook:** The rulebook of the financial activities issued by the Authority.

**Crowdfunding:** A means that enables the financing applicant to obtain funds from investors for the purpose of financing its project through the platform in exchange for shares in the capital of a company that will be established or a company established to execute this project.

**Platform:** An electronic operating system programmed to present crowdfunding applications.

<b>Financing Applicant:</b>	A natural or legal person who wishes to obtain crowdfunding through the platform.
<b>Operator:</b>	The legal person licensed to practice the activity of the operator of the crowdfunding platform in accordance with the provisions of this Resolution.
<b>Material change</b>	The occurrence of an accident or change to the financing applicant in its activity, assets, obligations or its ownership structure and other changes that affect the investors rights, their investment goals or cause damage to them.
<b>Professional investor or counterparty:</b>	A natural or legal person who is capable of managing its own investments by itself in accordance with the rulebook.

## **Article (2)**

### **Scope of application**

The provisions of this Resolution shall apply to all persons and procedures related to the crowdfunding process in the State including the free zones.

## **Article (3)**

### **The entities prohibited from applying for crowdfunding**

The entities listed below shall be prohibited from applying for crowdfunding through the platform:

- 1- Joint stock companies.
- 2- Investment funds.
- 3- Entities that operate activities within the securities, insurance, or banking sectors.
- 4- Companies that intend to use crowdfunding to grant loans or invest in other existing companies.
- 5- Companies that have a paid-up capital of more than six million (6,000,000) UAE dirhams.

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

##### **Operator licensing**

1. The activity of the crowdfunding platform operator in the State may not be practiced without obtaining a license from the Authority.
2. The following conditions shall be met to obtain a license to practice the activity of operator:
  - A. The license applicant shall be a market licensed from the Authority or a company incorporated in the State in accordance with the applicable laws or any other form approved by the Authority.
  - B. The paid-up capital of the license applicant shall not be less than one million (1,000,000) UAE dirhams.
  - C. The fee prescribed by the Authority to practice the operator activity shall be paid.

- D. The requirements specified in the rulebook shall be met, except if the license applicant is a market licensed by the Authority provided that the provision of the license period and renewal shall be applied thereto.

## **Article (5)**

### **Obligations of the operator towards the Authority**

**The operator shall comply with the following toward the Authority:**

1. Enter an agreement with the financing applicant that includes the rights and obligations of both parties and the channels of communications between them in a manner consistent with the provisions of this Resolution.
2. Refrain from financing, assisting, or soliciting any investor to invest in financing applications presented on the platform, negotiating its terms, favoring one investor over another, or inducing the investor to invest in certain financing applications only.
3. Refrain from investing in financing applications on behalf of the investor.
4. Refrain from investing with more than (10%) of any project presented on the platform.
5. Refrain from placing its own financing applications or any of its parent, subsidiary, or sister companies on the platform except after obtaining the approval of the Authority and in accordance with its terms and procedures.

6. Take into consideration that financing applications are not restricted to specific investment sectors in order to avoid the risks of investment concentrations.
7. Disclose on the platform about the following details:
  - A. The operator general information including for example: the names of its owners, legal form, capital, members of its board of directors, and the crowdfunding platforms that it manages.
  - B. The ownership of the operator or the chairman and members of its board of directors, its executive management and any of its employees or partners therein of any shares in the capital of the financing applicant, and any conflict of interests' cases between any of them with the investors or the financing applicants and the way of managing the same.
  - C. Minimum and Maximum investment in the platform and the financing applications.
  - D. Investors rights.
  - E. The fees payable to the operator from the investor in exchange for investing through the platform
  - F. The procedures agreed upon that will be taken in case there is a violation or non-commitment by the financing applicant.
  - G. The information related to the platform, its nature, work mechanism, operation, services, and risks.

H. Any other disclosure required by the Authority.

## **Article (6)**

### **Operator's obligations towards investors**

**Operator shall comply with the following toward investors:**

1. Conclude an agreement with the investor in accordance with the conditions included in the rulebook, provided that it shall include in particular the data related to the investment in financing applications and evidence of the investor's acknowledgment of its knowledge of the investment risks, which includes the inability to sell or assign shares to other investors after establishing the company, except in accordance with the laws applicable in the State.
2. Inform the investors of their rights to revoke their investment decisions and the mechanisms of exit from projects financed by them through the platform, after investing therein and carrying out them, and clarify the potentiality of difficulty to exit, as all of this shall be in accordance with the provisions of this Resolution.
3. Disclose the mechanisms by which the investors shall receive dividends resulted from their investments or that are payable to them by the finance applicant.
4. Educate the investor about how to invest through the platform, and the type of investment presented to it.

5. Ensure that the investor's investments - with the exception of the professional investor or the counterparty - during a period of (12) twelve months do not exceed the following amounts:
  - A. An amount of (30,000) thirty thousand dirhams for each financing applicant concerning all applications presented by it through the platform.
  - B. An amount of (100,000) hundred thousand dirhams for all financing applications presented through the platform.
6. Limit dealing in the platform to collecting funds for the purpose of establishing a company or increasing the capital of a company, and refrain from selling partners' shares or assigning them after incorporation to other investors through the platform.
7. Keep the investors' funds deposited by them in a bank account (Escrow account) designated for that with one of the licensed banks in the State until the proposed offering period ends or the offer is closed to complete the required financing, in accordance with the laws applicable in the State.
8. Separate between its own bank accounts and its bank accounts of the investors' funds (Escrow account) when showing the banks balances in its financial statements and their complementary notes.
9. Transfer the collected funds to the financing applicant during the period agreed upon between them- after completion of the required financing according to the provisions of this Resolution - after making sure that the financing applicant fulfills its prescribed obligations in accordance with



the procedures applicable in the State and has taken all procedures for establishing or increasing the capital before the relevant authorities in the State.

10. Develop procedures to ensure that the financing applicant fulfills its obligations towards investors, including the completion of the procedures for their ownership of shares.
11. Close the offer upon completion of the required financing, even if the offering period proposed by the financing applicant has not expired, and ensure that the collected funds do not exceed the target amount to be collected.
12. Return funds to the investors within five (5) working days in the following events:
  - A. From the date of closing the offering period without covering the amount targeted to be collected, unless the financing applicant is satisfied with the collected amount.
  - B. From the date on which the financing applicant fails to fulfill its obligations or on which an essential change takes place whether during the offering period or after its expiration.
  - C. From the date of cancellation of the financing application.
  - D. From the date on which the collected money exceeds the amount targeted to be collected as for the surplus funds only.

- E. From the date on which it revokes its investment decision according to the provisions of this Resolution.
13. Ensure that there are no material changes to the financing application, the financing applicant, or the project itself.
  14. Publish the work plan and the financial and economic feasibility of the project related to the financing application on the platform, provided that it is specific and clear, and ensure that all documents and procedures related to them are valid.
  15. Publish the financing applicant's information on the platform and the channels of communication therewith, along with the other projects that it has financed through the platform and its performance, at least 21 days before the start of allowing investors to invest in the project.
  16. Provide credit information of the financing applicant, chairman and members of board of directors if the financing applicant was a legal person, provided that it is issued by Al Etihad Credit Bureau or the competent authority if the person was foreign.
  17. Publish the disclosures of the financing applicants on the platform while keeping those disclosures and verifying their validity and accuracy.
  18. Immediately disclose on the platform any errors, misleading information, data, or investment risks related to the financing applicant or its projects and investments.

19. Disclosure to the investor if the financing applicant decided to be satisfied with the collected amount after the end of the offering period without covering the requested amount.
20. Verify that there are no means of fraud, deceit or harm to investors by the financing applicant.
21. Reject the application of the financing applicant by presenting it on the platform, or delete its offer from the platform if it is found that the financing application violates the interests of investors or violates the provisions of this resolution or any of the laws applicable in the State.
22. Refrain from providing any advice to investors, negotiating the financing presented on the platform, or announcing any financing applications on its website or any other means other than the platform.

## **Article (7)**

### **Obligations of Financing Applicant**

**Financing Applicant shall adhere to the following:**

1. Obtain the initial approvals required for its project intended to be presented on the platform from the competent authorities.
2. Immediately disclose during the financing application period – according to the operator procedures – the data specified below:
  - A- All the information related thereto, its management, financial statements, work plans, the purpose of the project, the amount required for the project and the proposed offering period provided

that it shall not exceed (15) fifteen working days, and it shall be extended for the same period after obtaining the operator approval without prejudice to the investors' interests.

- B- Any material data, information, mistakes, or changes related thereto or its projects.
- C- Benefits, and any potential or expected investment risks.
- D- The mechanism of investors exit and its procedures as per the law applicable in the State.

3. Refrain from offering the financing application at this time at more than one platform, and refrain from making the offering in any other way to the investor outside the platform.
3. The total amounts of the financing applications to financing applicant and its related entities – the parent, subsidiary, sister, or affiliates company - must not exceed an amount of AED (2,500,000) two million five hundred thousand dirhams during (12) months, and AED (5) million dirhams throughout the company duration.
5. Pay the due fees to the operator.
6. Execute the purpose of the financing application, whether to establish a company or increasing an existing company capital according to the provisions of the commercial companies law five (5) days after the end of the offering period – whether the requested financing was collected or it

is satisfied with what was collected – or by ending the offer immediately after the completion of the required financing.

## **Article (8)**

### **Operator, investor, and financing applicant rights**

1. The operator shall be entitled to charge fees from the financing applicant to enable it from offering any of its applications at the platform according to the agreement concluded between them.
2. The financing applicant shall be entitled to re-offer the financing application at the platform, be satisfied with what was collected, or cancel the financing application in the following cases:
  - A- If the investor retracts his investment decision.
  - B- If the investor did not pay the financing value after the end of the granted time limit.
  - C- The expiry of the offering period without covering the required amount.
3. The investor shall be entitled to retreat his investment decision and recover the financing amount that he deposited in the following cases:
  - A- At any time during the offering period.
  - B- Within a period not to exceed five (5) working days from the date of collecting the requested financing amount.

- C- Within a period not to exceed five (5) working days if the financing applicant or the operator discloses any material data, information, mistakes, or changes related to the financing application, or financing applicant or its projects during the offering period.
- D- Within a period not to exceed five (5) working days from date of the operator disclosure of the financing applicant decision and being satisfied with the collected amount.
- E- Within a period not to exceed five (5) working days from date of extending the proposed offering period. In this case, the investor shall be entitled to the fees he paid.
- F- Any other cases determined by the Authority.

### **Article (9)**

#### **Control and inspection**

1. The Authority shall take all the required procedures to supervise, control, and inspect according to the regulations and the resolutions issued thereby in this regard.
2. The Authority shall set the required controls, restrictions, procedures to apply this resolution to evade any legal, technical, or operational risks.
3. The Authority shall be competent to receive the complaints related to the operator activity according to the controls and resolutions issued by the Authority in this regard. The Authority shall have the right to investigate

in any violation found through the inspection or included in the complaints received by the Authority.

## **Article (10)**

### **Sanctions**

1. In case of violating the provisions of this resolution, regulations, resolutions, controls, or circulars issued according to it, the Authority shall be entitled to impose any of the following sanctions:
  - A- Give a warning to the violator.
  - B- Impose a financial fine on the violator not less than (AED 100,000) one hundred thousand dirhams and not more than (AED 1,000,000) one million dirhams, and a fine that is equivalent to the violator achieved profit or avoided loss.
  - C- Suspend the operator from practicing the activity, cancel the license of the operator or impose sanctions on its employees according the Section one from the rulebook of the financial activities issued by the Authority.
2. The Authority shall be entitled to cancel the financing operations that violate the laws, resolutions, or circulars issued in this regard, and issue an order with reinstatement without prejudice to the good faith third party.

## **Article (11)**

### **Executive resolutions**

The Authority shall issue the resolutions, circulars, forms required to execute the provisions of this resolution.

## **Article (12)**

### **Publication and enforcement of resolution**

This resolution shall be published in the official gazette and shall be put into force after (60) days from that date of its publication.

*/sealed by UAE Cabinet/*

The original is signed by H.H.

Sheikh Mohammed bin Rashid Al Maktoum

Prime Minister

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Issued by us:

On: 10/ Ramadan/1443 AH

Corresponding to: 11/ April/2022 AD