

Keynote Speech
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Corporate Restructuring Summit

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Topic -_Optimizing UAE's transaction outlook: Incorporating sound corporate governance regime and facilitating financial restructuring to effectively manage insolvency and optimize region's investment climate

Good morning ladies and gentlemen. Thank you for inviting me to deliver the key note address on behalf of the Securities & Commodities Authority (SCA), the Capital Market Authority of UAE for this prestigious summit.

First, I would like to applaud Dr. Fahad Alshathri, Deputy Governor for Supervision in Saudi Arabian Monetary Authority (SAMA) for delivering a remarkable key note on problem debt management in a reform environment and the role of the Regulator.

I would also like to take this opportunity to appreciate the efforts of Middle East Global Advisor for facilitating such a rich network of regulators, banks, multinational companies, family offices, institutional investors, advisories among other stakeholders and experts in Corporate Restructuring in the region under one roof.

Moving on to my speech, given my role as CEO of SCA and Vice Chairman of the UAE Financial Restructuring Committee and as Co-Chair of the OECD MENA Working Group Corporate Governance, I will be speaking about how sound corporate governance regime can facilitate financial restructuring to effectively manage insolvency and optimize region's investment climate.

Sound corporate governance plays a pivotal role in mitigating corporate insolvency resulting from financial crimes and mismanagement. While significant progress has been achieved over the past decade in establishing governance frameworks for listed companies in particular, and especially in countries with large capital markets, progress in improving governance of privately-held family firms has been noticeably slower. **As a result, the quality of governance practices displayed by privately-held firms in the MENA Region varies significantly.** While some have embraced a culture of better governance, others are remaining with practices that are dangerously ill-suited to the Region's increasingly complex and globally-integrated economic environment. **Financing, legal and ownership structures, board composition and transparency and disclosure makes implementing sound principles of corporate governance a challenging task in MENA region.**

As far as UAE is concerned, all listed companies are required file **corporate governance report to exchanges in both Arabic and English** using XBRL format which are available for public viewing u. Such reports provide key disclosures on various governance parameters such as the board composition, other board positions, remuneration and compensation of board of directors, female representation, disclosures on director's transactions and holdings of company shares including any those of group company or related company.

In addition to the above, SCA has now mandated listed companies to ensure that all their **investor communication and announcements are bi-lingual**. Further, SCA has mandated all listed companies to set up **dedicated investor relation desk** and highlight its contact details on the website for the ease of investors and even asked companies to

send the annual general meeting invitation via SMS and E-mail to all investors to enhance participation of minority investors. Further, SCA has set up a **dedicated minority investor protection page** on its website which informs the investor of his rights and responsibilities and provides all other necessary information. It may be worth mentioning here that, SCA organized a **corporate governance week** in the beginning of the year wherein it conducted **dedicated workshops for board of directors of listed companies** educating them about their role and responsibility especially towards protecting the interests of minority investors and also to be aware of all other developments and changes in the rulebook.

The other concern with regard to **gender balance and female representation** on corporate boards. The field study show that the **UAE's women have the education, experience and dedication to be corporate board members**. They are ready, willing and waiting. They just need the opportunity. It requires a change of attitude and an open mind set with willingness to accept the change by all. **The World Economic Forum Global Gender Gap Report 2018** ranked UAE, as the **top country in the Middle East and North Africa for wage equality, number of women in ministerial positions**, with improvements recorded in gender parity in the legislators, senior officials and managers and healthy life expectancy indicators.

Accordingly, **SCA is now considering reviving its corporate governance code** by mandating at least one female on boards of listed companies for **20% as target**, adopting the application of **comply or explain principle, dual governance structure**, mandating appropriate expertise, knowledge, competencies, skills and independence standards for board of directors including their training and evaluation, specifying the functions of the **Secretary to the Board**.

Additionally, proposals such as creation of **Risk Committee** and **Technical Committee**, specifying **internal control** and **internal audit** procedures and **role of internal auditor**, **risk officer** and **principle compliance officer** along with **integrated disclosure** and a framework for governance of subsidiaries are also being evaluated. However, I would like to state that these are proposals under consideration and not finalized as we are currently considering to revamp the corporate governance climate of UAE in light of the existing legal framework in place.

As far as enforcement measures go, SCA as the market supervisor undertakes **various audits and detailed investigation to check balance sheets of corporates to verify reasons/potential fund misappropriation**, mismanagement leading to corporate insolvency and has also enacted external audit quality assurance regulations.

In addition to all the above, **SCA also scrutinises applications of companies which intends to list through an IPO as green field and raise funds from public**. To ensure adequate disclosure and investor protection and to help **investors build better confidence** that these organizations **do not fall into distressed financial categories** leading to complex financial problems at the time of listing.

With the intend of improving investor transparency, another key proposal by SCA has been to issue draft regulations **for setting up a secondary platform on the exchange which will host unprofitable companies**. Such companies are required provide a restructuring plan and will be monitored in the watchlist.

As far as restructuring is concerned, the UAE has taken a step forward in reforming its insolvency regime through issuing **Bankruptcy Law** and **establishment of the Financial Restructuring Committee (FRC)** which has introduced substantial and welcome

changes in the market for protecting and providing assistance to Financial Institutions that are in financial difficulties.

FRC has been established with the primary objective to supervise the financial restructuring procedures of financial institutions across UAE. It provides a special out-of-court restructuring process for financial institutions and is a novel development in the UAE which may prove a useful mechanism for restructuring the financial positions

of those institutions outside of a formal insolvency process with the aim to protect the financial institutions given their size, importance and effect on the national economy.

Another key function of FRC is to create and maintain a registry of individuals and entities namely disqualified directors and bankrupt companies that are subject to restrictions or legal incapacity ordered by the court, pursuant to the provisions of the Bankruptcy Law. If the registry becomes publicly available, it will for the first time introduce bankruptcy searches to the UAE and help lenders and financial institutions to better assess the financial status of their borrowers.

Experience from other jurisdictions suggests that a sound corporate governance regime supported by bankruptcy code and comprehensive distress company management including involvement of an official mediator in a financial restructuring process can help break deadlock situations, avoid more formal, court-based proceedings and is overall healthy for the speedy recovery of the company and the economy at large.

The formation of the Financial Restructuring Committee meets international requirements of the Global Competitiveness Index, particularly the World Bank's Doing Business report, on the basis that

providing a mechanism for settling off-court debt and traditional bankruptcy procedures has become an international requirement that should be provided for in modern bankruptcy laws and has **been a key factor enabling UAE securing higher position in World Bank's Ease of Doing Business Index and UAE's future economic roadmap.** These supportive regulatory, judicial and legislative regime **enables business resilience of distressed businesses, strengthening investor confidence, boosting FDIs into the region.**

This was all from my side. I hope my thoughts have provided some food for thought for the audience here. In the meanwhile, will look forward to share more insights with all speakers and have further discussions.

Thank you all and good luck.