

# The Authority's Board of Directors'

## Decision No (32 ) of 2014 Concerning

### Depository Receipts

The Chairman of the Board of Directors of the Securities and Commodities Authority,

Having considered Federal Law No (10) of 1980 concerning the Central Bank, Monetary System and Regulation of Banking Profession as amended, Federal Law No (8) of 1984 concerning Commercial Companies as amended, Federal Law No (6) of 1985 concerning Islamic Banks, Financial Institutions and Investment Companies,

Federal Law No (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market as amended,

Federal Decree No (32) of 2013 concerning the Formation of the United Arab Emirates' Council of Ministers as amended,

Council of Ministers' Resolution No (13) of 2000 on the Functioning System of the Securities and Commodities Authority as amended,

Council of Ministers' Resolution No (108/7 and /5) of 2010 on the Reformation of the Board of Directors of the Securities and Commodities Authority,

Authority's Board Decision No (3) of 2000 concerning the Regulations as to Disclosure and Transparency as amended,

Authority's Board Decision No (2) of 2001 concerning the Regulations on Trade, Clearing, Settlements, Transfer of Ownership and Custody of Securities as amended,

Authority's Board Decision No (94R) of 2009 concerning the Regulation of Safe Custody of Securities Activities,

Based on the approval of the Board of Directors in its twenty fifth meeting of the fourth session held on 25/06/2014, and

As required for the public interest,

Has decided:

## **Definitions**

### **Article (1)**

The following terms shall have the following meanings when used in this Decision unless the context requires otherwise:

State :The State of the United Arab Emirates.

Law:Federal Law No (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market as amended.

Central Bank:The Central Bank of the United Arab Emirates.

Authority: The Securities and Commodities Authority.

Market: A securities market licensed by the Authority in the State.

Foreign Market: A securities market outside the State and licensed by a supervisory authority which carries out similar functions as those of the Authority.

Foreign Securities: Stocks, bonds, sukuk and other financial instruments issued outside the State and listed in a Foreign Market which the Authority approves the trading of the Depository Receipts issued against such Securities inside the State.

Foreign Issuer: A legal person incorporated outside the State and whose securities are listed on a Foreign Market in the state in which such Foreign Issuer was established.

Depository Bank: A legal person operating as a depository bank inside or outside the State in accordance with the provisions of these Regulations.

Depository Receipt (DR): A financial instrument issued against Foreign Securities and is subject to listing and trading on a Market.

Conversion Ratio: The number of Depository Receipts issued per security.

Connected Group: The persons who are in agreement or arrangement for holding a majority stake in a listed company. They can be a natural person and his/her minor children or a legal person owned or controlled by another person in this group.

## **Scope of Implementation**

### **Article (2)**

These Regulations shall apply to the issuance of Depository Receipts in the State and its listing on a Market.

## **Section 1: Depository Receipts**

### **General Provisions**

#### **Article (3)**

1. Depository Receipts may not be issued through a public offering in the State or listed on a Market without the approval of the Authority in accordance with the provisions of these Regulations.

2. Depository Receipts issued outside the State may not be offered through public offering inside the State or listed on a Market without the approval of the Authority in accordance with the provisions of these Regulations.

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

1. Depository Receipts shall be issued against Foreign Securities kept by the Depository Bank with a custodian to cover such issuance in accordance with a

Conversion Ratio and cancellation of such receipts shall be done in accordance with the same Conversion Ratio.

2. Owners of Depository Receipts shall enjoy all rights attached to the Foreign Securities which the Depository Receipts represent.

## **Issuance of Depository Receipts**

### **Issuance Requirements**

#### **Article (5)**

To approve the issuance of Depository Receipts in the State through public offering, the following requirements must be satisfied:

1. The Foreign Issuer shall have been incorporated for at least two years and have issued at least two audited balance sheets for the past two financial years prior to the application for approval.
2. The Foreign Issuer shall have a share capital of no less than AED 40 million (or its equivalent in a foreign currency) and shall have at least 100 shareholders not including a Connected Group.
3. Two years prior to the application for approval, the Foreign Issuer shall have net assets of no less than 120% of its paid up share capital or shall have generated a distributable net profit of no less than 5% of its paid up share capital in average.
4. The Foreign Issuer shall make evident that its general assembly has convened at least once a year for the past two years prior to the application for approval.
5. Neither the Foreign Issuer nor the laws which governs the Foreign Issuer have any restrictions on transfers of ownership of a Foreign Security to non-nationals. In case that any such restrictions exist, the Foreign Issuer shall provide details of such restrictions.
6. The Foreign Issuer shall comply with all the requirements provided in the laws of the country of incorporation.
7. The Foreign Issuer shall comply with any other conditions or requirements the Authority may determine.

## **Foreign Issuer's Obligations**

#### **Article (6)**

A Foreign Issuer, who wishes to create a Depository Receipts program issued by a Depository Bank, must comply with the following:

1. Enter into a deposit agreement with a Depository Bank in accordance with the provisions of these Regulations and provide the Authority and the Market with a copy of the agreement.

2. In accordance with the applicable legislations, to determine dates of maturity and distribution in markets in which its securities and Depository Receipts are listed.
3. Depository Receipts to be issued through public offer shall be no less than 25% of the total number of Depository Receipts to be issued in the State. Depository Receipts which were not subscribed to within the period specified in the prospectus—as approved by the Authority—may be sold in a private placement. In any event, the Foreign Issuer shall list all the Depository Receipts included in the Depository Receipts program on the Market no later than three months from the date the Depository Receipts are issued.
4. The owners of Depository Receipts shall not be less than 100.
5. Depository Receipts to be issued shall not be less than 500,000 and shall be of a nominal value of not less than AED 50 million.
6. Foreign Securities against which the Depository Receipts are issued shall be fully paid up and free of any pledge or any restrictions in respect of its transfer or ownership.
7. Foreign Securities against which the Depository Receipts are issued shall be listed on a Foreign Market which is subject to a supervisory authority which carries out similar functions as those of the Authority.
8. The laws and regulations governing the Foreign Issuer or the Foreign Issuer's articles of association shall not be in conflict with the rights given to the owners of Depository Receipts.
9. The Foreign Issuer shall, without prejudice to the provisions of these Regulations, comply with the regulations to which the issuance, listing and trading of the securities in the Market may be subject to.
10. Any other obligations determined by the Authority.

## **Approval of Issuance Application**

### **Article (7)**

A Foreign Issuer wishing to create a Depository Receipts program shall submit the relevant application form to the Authority and provide all the supporting documents. The Authority may require any other documents or explanations.

## **Consideration of an Issuance Application**

### **Article (8)**

The Authority shall issue its decision to approve or reject the application within (15) business days of the date on which a complete application was submitted. If the Authority does not issue its decision within the stated time frame, the application shall be considered as being rejected. The Authority has the right to enclose with its approval any conditions or restrictions it might deem necessary

to impose according to the public interest.

A rejection decision may be appealed within (15) business days of the notification date. The appeal shall be made to the chairman of the Authority and a decision regarding such appeal shall be issued within (15) business days of the date when a completed appeal was submitted.

## **Depository Bank**

### **Approval of Depository Bank**

#### **Article (9) <sup>[1]</sup>**

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## **Depository Bank Agent**

#### **Article (10) <sup>[2]</sup>**

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## **Approval Application**

#### **Article (11) <sup>[3]</sup>**

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## **Term and Renewal of Approval**

#### **Article (12) <sup>[4]</sup>**

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## **Depository Bank's Obligations**

#### **Article (13) <sup>[5]</sup>**

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## **Deposit Agreement**

#### **Article (14) <sup>[6]</sup>**

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## **Depository Agency Agreement**

#### **Article (15) <sup>[7]</sup>**

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## **Listing and Trading of Depository Receipts**

### **Approval of Listing Application**

#### **Article (16)**

First: The Foreign Issuer wishing to list Depository Receipts in the Market must submit to the Authority an application for listing duly signed for and on behalf of the Foreign Issuer accompanied with the following documents:

- 1.A copy of the prospectus.
- 2.A copy of the general assembly's resolution (in the event that the Foreign Issuer is a company) approving the issuance of the Depository Receipts by the Depository Bank.
- 3.A statement of the names of those who own more than 5% of the securities issued by the Foreign Issuer and the number of securities owned by each of them.
- 4.A copy of the board of directors' resolution (in the event that the Foreign Issuer is a company) approving the issuance of Depository Receipts by the Depository Bank and the listing thereof, the submission of the listing application, the prospectus and all other listing-documents to be issued and published.
- 5.The audited financial statements for the past two financial years.
- 6.A statement clarifying the Foreign Issuer's credit rating together with details of the relevant credit-rating agency(ies).
- 7.A copy of the Authority's approval for the issue of Depository Receipts as soon as issued in the State.
- 8.Any additional requirements by the Authority as required by the public interest.
- 9.A declaration by the Foreign Issuer signed by a person authorized to sign on his behalf that the documents submitted by the Foreign Issuer are true and accurate.

Second: The listing applications shall be recorded under sequential numbers according to the date they are submitted in a register maintained by the Authority.

## **Consideration of Listing Application**

### **Article (17)**

- 1.The Authority shall issue its decision to approve or reject the application to list within (15) business days of the date on which a complete application was submitted. If the Authority does not issue its decision within the stated time frame, the application shall be considered as being rejected. The Authority may enclose with its approval any conditions or restrictions it might deem necessary to impose according to the public interest.
- 2.A rejection decision may be appealed within (15) business days of the notification date. The appeal shall be made to the chairman of the Authority and a decision regarding such appeal shall be issued within (15) business days of the date when a completed appeal was submitted.
- 3.The Authority's decision to approve the listing on a Market allows Depository Receipts to be listed and the Market must immediately inform the Authority of this registration.
- 4.The Market shall designate the listed Depository Receipts a distinct trading symbol and a short name in both Arabic and English. Selecting the symbol and the short names shall be within the Market's competence which shall ensure that

the names in the Markets are not similar and shall always end by (D.R.) in English and (د.ر.) in Arabic so that a security is set as a Depository Receipt.

## **Offering Prospectus**

### **Article (18)**

A prospectus offered through public offering or through book-building procedure and prepared by the Foreign Issuer and Depository Bank must contain the following information:

1. General information about the Foreign Issuer including its name, objects, share capital, previous issues of Depository Receipts and securities, names of the major shareholders (those who own 5% or more of the capital), the address of its head office, date of incorporation and the name and address of auditors.
2. Information about the Depository Receipts, their issuance, and distribution which include a description of the terms and conditions of the issue containing the total nominal amount of the issue, nominal value and number of Depository Receipts together with a summary of the rights conferred upon the owners of Depository Receipts, price of the Depository Receipts and a statement of how the Depository Receipts are traded, settled and cancelled.
3. Legal information including details about the laws, resolutions, permits or approvals pursuant to which the Depository Receipts are issued.
4. Information on the Foreign Issuer's management including the names of directors and executive management.
5. Information on the Depository Bank's management including the names of directors and executive management.
6. Particulars of the other Foreign Markets on which any of the Foreign Issuer's securities have been listed (including Depository Receipts, debentures, Islamic sukuk and stocks).
7. Particulars of all listed securities of the Foreign Issuer.
8. A statement by the Foreign Issuer of any tax or government levy imposed by the relevant authorities on the issuing or listing of the Foreign Securities against which the Depository Receipts are issued.
9. A statement confirming that the owners of Depository Receipts are entitled to profits, interests and any cash dividends and can vote in general assemblies. The statements must also confirm the extent to which such rights are different from those conferred upon the owners of the Foreign Securities.
10. A statement of any procedural, legal or regulatory restrictions to which any transfer, assignment or cancellation of the Depository Receipts may be subject.
11. Particulars of any judicial or arbitral claims or proceedings brought by or against the Foreign Issuer for an amount of more than AED 3 million (or its equivalent in a foreign currency).
12. Particulars of all the debts registered in the Foreign Issuer's financial records

which exceed AED 10 million (or its equivalent in a foreign currency).

13. Particulars of all the risk factors associated with investing in the relevant Depository Receipts and the Foreign Securities against which such Depository Receipts are issued.

14. The Foreign Issuer's audited financial statements for the past two financial years together with the most recent quarterly or semi-annual statements immediately preceding the application to the Authority.

15. Information on the purpose for which the Depository Receipts are issued and how the proceeds of such Depository Receipts are used.

## **Article (19)**

The persons in charge of the management of the Foreign Issuer, Depository Bank or Depository Bank's agent in the State—as the case may be—shall be liable for the accuracy and completeness of the information they submit to the Authority and the Market.

## **Article (20)**

Depository Receipts listed in the Market shall be traded and settled as per the same trading and settlement rules and regulations of the relevant Market and shall be subject to the trading commissions applied to the trading of shares.

## **Foreign Issuer's Post-listing Obligations**

### **Article (21)**

The Foreign Issuer shall:

1. Notify the Depository Bank of the particulars of any subscription in the increase in the share capital, distribution of cash or in-kind returns, split or reverse split of nominal value or any other transactions in respect to the Foreign Issuer's Securities, at least fifteen (15) business days prior to the implementation thereto.

2. Complete and provide the Authority with the legal documents as to the Foreign Issuer's resolutions in respect to its securities at least fifteen (15) business days prior to having such resolutions implemented, particularly in case of amending the ownership structure.

3. Transfer the whole value of the returns and dividends to the Depository Bank via the Market at least three days prior to distribution.

4. Immediately notify the Authority and the Market of any conflict between the provisions of the applicable laws in the State and the regulations of the Foreign



- Market, so that the Authority may take the decisions and actions it deems fit.
5. Submit all the information, data and statistics required by the Authority and the Market.
  6. Immediately notify the Authority and the Market of any change to the previously submitted information or documents.
  7. Immediately inform the Authority and the Market of any significant developments affecting the prices of its securities listed in a Foreign Market, upon their becoming aware thereof.
  8. Publish any explanatory information in respect to the Foreign Issuer's positions and activities so as to ensure safe transactions and confidence on the part of investors whenever the Foreign Issuer is required to do so within a certain period of time; otherwise, the Authority may publish this information at the Foreign Issuer's cost.
  9. Notify the Authority and the Market as to board members' ownership of the securities issued by the Foreign Issuer within (15) days from the date they assume membership and at the end of each financial year and of all the trades effected by the members of the board and the executive management.
  10. Notify the Market of the resolution of the Foreign Issuer's board of directors as to the distribution of profits to shareholders or the announcement of profits and losses, in order to obtain approval for the publication thereof.
  11. Notify the Market of the particulars with respect to any sale or purchase of major assets affecting the Foreign Issuer's position at the same time they are disclosed to the Foreign Market where its securities are listed.
  12. Immediately notify the Authority and the Market of any changes in the Foreign Issuer's board of directors.
  13. Immediately notify the Authority and the Market when the relevant Depository Bank or custodian is changed or replaced.
  14. Provide the Authority and the Market with all printed materials intended for the Foreign Issuer's shareholders, as soon as issued and disclosed to the relevant Foreign Market.
  15. Provide the Authority and the Market with annual, half-yearly and quarterly reports—as soon as they are issued—on the activities and business results to provide details of the Foreign Issuer's financial position.

## **Record Keeping**

### **Article (22)**

The Depository Bank and the Foreign Issuer shall maintain all the records, reports and documents submitted to the Authority for approval of issuing or listing Depository Receipts in the Market for at least ten (10) years from the date the listing of such Depository Receipts in the Market is approved.

# **Suspension of Listing**

## **Article (23)**

1.The Authority may, after deliberation with the Market, suspend the listing and trading of any or all Depository Receipts if exceptional circumstances arise or if an event occurs that may threaten the maintenance of an orderly market, or if the Authority deems that the trading of such Depository Receipts is against the public interest or is prejudicial or disadvantageous to the rights of the owners of such Depository Receipts.

2.Without prejudice to clause (1) above, the Authority may suspend the listing of any Depository Receipts traded in the Market in any of the following events:

a)The Foreign Issuer ceases to comply with any of the requirements of listing;

b)The net interest of shareholders or owners of the Foreign Issuer falls below 50% of the Foreign Issuer's equity;

c)A resolution is made by the Foreign Issuer's general assembly to decrease or increase the share capital;

d)The Foreign Issuer fails to issue the annual, half-yearly or quarterly reports in respect to its activities, financial results and financial position, or to provide the Market, where the Depository Receipts are listed, with such reports as required under the disclosure obligations specified in these Regulations;

e)A resolution is made by the Foreign Issuer's general assembly, board of directors or authorized representative to sell more than 25% of the Foreign Issuer's assets;

f)A resolution is made by a competent authority in the market where the Foreign Issuer's securities are listed providing that the Foreign Issuer has failed to comply with the applicable laws, regulations or instructions of the relevant market;

g)The Depository Bank submits a justified request to suspend the listing of the Depository Receipts; or

h)The number of Depository Receipts listed drops to below 15% from the original number of Depository Receipts listed on the Market.

3.The Authority may cancel an earlier resolution to suspend the listing of any Depository Receipts if it receives a request from the relevant Depository Bank or its agent and the circumstances that gave rise to the suspension of listing no longer exist.

## **Cancellation of Listing**

### **Article (24)**

The Authority may cancel the listing of any Depository Receipt traded in the Market in any of the following events:

- 1.A resolution is made to dissolve or liquidate the Foreign Issuer or to appoint a receiver to administer the Foreign Issuer's activities or assets.
- 2.The listing suspension continues for six (6) months or more.
- 3.The Foreign Issuer merges with another company(s) whereby the Foreign Issuer ceases to have a legal personality.
- 4.The Foreign Issuer ceases to perform its activities.
- 5.If there has been any material breach to these Regulations.

## **Section 2: Fees, Control and Penalties**

### **Fees**

#### **Article (25)**

For implementing these Regulations, the Authority shall collect the following fees:

First: Fees with respect to the Depository Bank or the agent of a Depository Bank:

- 1.An approval fee AED 50000.
- 2.A renewal approval fee AED 25000 per annum.

Second: Fees with respect to the Depository Receipts listed in the Market:

- 1.A listing application fee for one issuance AED 2000.
- 2.An annual listing fee 0.0001% of the value of one issuance, with a minimum of AED 5000 and a maximum of AED 50000.

The relevant Market's share of such Fees shall be AED 5000 and the remaining to the Authority. In the event that the paid fees are less than AED 10000 then it shall be equally divided between the Authority and the relevant Market.

The fees shall be due at least one month prior to the end of December of each year. The first fee shall be calculated from the date the approval is obtained till the end of December of the same year and it shall only be for the remaining period of the year and any portion of a month shall be considered as a whole month. The relevant Market's share shall be calculated on this basis.

## **Disclosure, Control and Inspection**

### **Article (26)**

- 1.The Authority and the Market may require any disclosures or explanations they may deem necessary from the relevant entities with respect to issuing, listing or trading the Depository Receipts or owners of such Depository Receipts and the

securities issued by them.

2.The Authority and the Market may control and inspect the issuer, Depository Bank, its agent and custodian to ensure that they comply with the provisions of these Regulations and to investigate any violations arise from the inspection or included in the complaints received by the Authority. The Authority may also require any information or documents—as it deems necessary for the control and inspection—from the aforesaid entities or any of their personnel or customers.

## **Penalties**

### **Article (27)**

If the provisions of these Regulations or the decisions or controls issued thereunder are violated, the Authority may impose any of the following sanctions:

- 1.Issue a warning to the violator and ordering it to stop the violation within a timeframe specified by the Authority.
- 2.A fine of no more than the maximum limit provided for in the Law and the regulations issued in this regard.
- 3.Suspend the Depository Bank or its agent for not more than one year.
- 4.Cancel the approval given to the Depository Bank or its agent and publish the cancellation decision at the Depository Bank or its agent's expense in two daily newspapers issued in the State, one of which shall be in Arabic.
- 5.Suspend or cancel the listing of Depository Receipts in accordance with the provisions of these Regulations.

## **Publication and Effectiveness**

### **Article (28)**

This Decision shall be published in the Official Gazette and shall become effective on the day following the date of its publication.

Engineer / Sultan Bin Saeed Al Mansouri  
Chairman of the Board of Directors

Issued in

Abu Dhabi on: 3 / 8/ 2014

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- [1] - Article (9) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [2] - Article (10) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [3] - Article (11) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [4] - Article (12) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [5] - Article (13) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [6] - Article (14) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms
  - [7] - Article (15) has been cancelled according to The Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms