

Status: Law in force

FED LAW No. 4 of 2000

Gazette No. 344

UAE Official Gazette

Emirates Securities & Commodities Authority [Fed. Law 4 of 2000]

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CONCERNING

THE EMIRATES SECURITIES & COMMODITIES

AUTHORITY AND MARKET

We, Zayed Bin Sultan Al Nahyan, President of the United Arab Emirates,

Having considered the Constitution,

Federal Law No. 1 of 1972 concerning the Competences of the Ministries and the Powers of the Chairman of the Boards, and the laws in amendment thereof,

Federal Law No. 7 of 1976 establishing the State Audit Institution,

Federal Law No. 10 of 1980 concerning the Central Bank, the Monetary System and the Regulation of the Banking Profession, and the laws in amendment thereof,

Federal Law No. 8 of 1984 concerning Commercial Companies, and the laws in amendment thereof,

The Law of Civil Transactions promulgated by Federal Law No. 5 of 1985, and the laws in amendment thereof,

Federal Law No. 6 of 1985 concerning Banks, Financial Institutions, and Islamic Investment Companies,

The Penal Code promulgated by Federal Law No. 3 of 1987,

The Law of Evidence in Civil and Commercial Transactions promulgated by Federal Law No. 10 of 1992,

The Law of Civil Procedure promulgated by Federal Law No. 11 of 1992,

The Law of Commercial Transactions promulgated by Federal Law No. 18 of 1993, and

On the basis of the proposal made by the Chairman of the Board of Economy & Commerce, the approval of the Council of Chairman of the Boards and the sanction of the Supreme Federal Council,

Have promulgated the following law:

Article 1 Definitions

In the application of the provisions of this law, the words and expressions hereunder shall have the meanings set forth opposite each of them, unless the context of the provision indicates otherwise:

The State : The State of the United Arab Emirates.

The Ministry : The Ministry of Economy & Commerce.

The Authority : The Securities & Commodities Authority.

The Chairman of the Board : The Chairman of the Board of Economy & Commerce.

The Board : The board of directors of the Authority.

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

Securities : Shares, bonds and notes issued by joint stock companies, bonds and notes issued by the Federal Government or Local Governments, public authorities and public institutions in the State, and any other domestic or non-domestic financial instruments accepted by the Authority.

Commodities : Agricultural produce and natural resources extracted from under the ground and the seas after being processed and prepared for commercial use.

Broker : A juristic person authorized pursuant to the provisions of this Law to conduct brokerage business in the Market.

Broker's Representative : A natural person appointed by a Broker to conduct on its behalf brokerage business in transactions relating to Securities and Commodities.

Part One Securities & Commodities Authority

Chapter One The Incorporation of the Authority, its Objects and its Powers

Article 2

A public authority shall be established in the capital of the State under the name of

"Securities and Commodities Authority" which shall have a legal personality, financial and administrative independence in addition to supervisory and executive authorities necessary to exercise its duties subject to provisions of this Law and regulations issued for the execution of such law. This Authority shall follow the Cabinet.

The Authority shall be entitled to establish branches or offices for it to manage duties of supervision and control over markets.

The Authority shall be prohibited to exercise businesses, to have any private interest in any project, to own or issue any securities.

Article 3

The Authority shall have as its purpose the achieving of the following objects:

1 - To provide the opportunity to invest savings and funds in Securities and Commodities in a manner that serves the interest of the national economy, secures the integrity and accuracy of transactions, ensures interaction of the forces of supply and demand in order to determine prices and protection of investors by establishing the bases for sound and just dealings between the various investors.

2 - To develop investment awareness by conducting studies and presenting recommendations.

3 - To work to secure financial and economic stability.

Article 4

First: In the achieving of its objects, the Authority may exercise the following powers:

(1) To propose the regulations as to the following, to be issued by resolution of the Council of Chairman of the Boards:

(a) Regulations concerning its functioning.

(b) Regulations concerning the licensing and monitoring of the Market.

(c) Regulations concerning the acceptance, listing, and canceling or suspending the listing of any Securities or Commodities from being traded in the Market.

(2) To make the following regulations, in consultation and coordination with the Markets licensed in the State:

(a) Regulations concerning the functioning of the Market.

(b) Regulations concerning Brokers and the regulating of their functions and the cessation thereof.

(c) Regulations concerning trading, clearance, settlement, transfer of ownership and custody of Securities.

- (d) Regulations concerning membership of the Market.
- (e) Regulations concerning disclosure and transparency.
- (f) Arbitration regulations in disputes arising from trading in securities and commodities.
- (3) To form specialist technical committees, and to specify the scope of their work and the remuneration therefor.
- (4) To be in contact with international markets in order to obtain and exchange information and know-how, and to join relevant Arab and international organizations and federations.
- (5) To perform all other acts which assist the achieving of the Authority's objects or the exercise of its powers pursuant to the law.

Second: Markets licensed in the State may propose amendments they deem appropriate to the regulations provided for in this Article.

Article 5

The Authority shall, within the scope of the objects for which it has been established, enjoy the exemptions and facilities enjoyed by State institutions.

Chapter Two The Organs of the Authority and their Competences

Article 6

The Authority shall have a Board of Directors that shall be formed upon a resolution issued by the Cabinet, provided that formation resolution shall nominate the Chairman of the Board, remunerations of board directors, way of its meetings and how to take its decisions.

Article 7

The Council of Chairman of the Boards shall determine the remuneration of the members of the Board.

Article 8

The membership period shall be four years, renewable once excluding the executive Chairman of the authority. If the seat of any member becomes vacant for any reason before the end of his period of membership, a successor shall be appointed for him, for the remaining period of office of the Board.

Article 9

Each member of the Board shall, forthwith upon assuming his duties, make a declaration in

writing to the Authority as to the securities owned by himself, his spouse and minor children. He shall also make a declaration in writing as to any change occurring therein within one week at most from the date he becomes aware of the change.

Article 10

Any member convicted of an offence of dishonour or breach of trust or declared bankrupt shall forfeit his membership. Membership shall also be forfeit where a member fails to attend three consecutive meetings without acceptable excuse.

Article 11

The Board shall meet upon invitation by its Chairman or his deputy when he was absent at least four times annually, and whenever necessary.

A written invitation including the agenda shall be sent in sufficient time prior to the date of the meeting.

Board meetings shall be deemed valid if attended by the majority of the members thereof, provided that the Chairman or his deputy is amongst them. Its resolutions shall be issued with the majority of the votes of those present. In the case of an equality of votes, the winning side shall be that which includes the person chairing over the meeting.

Article 12

The Board of Directors shall exercise the following competences:

- 1 - To ensure that the regulations mentioned in Article 4 of this Law are applied.
- 2 - To receive notifications and complaints relating to the activity of the Market or Brokers and take appropriate resolutions thereon according to the provisions of this Law and the regulations issued pursuant thereto.
- 3 - To require the Market and Brokers to submit balance sheets, profit and loss accounts, and annual financial statements audited by an accredited auditor, within one month following the end of the financial year.
- 4 - To require the Market to take the necessary measures for disclosure by the companies whose Securities are listed therein of any substantial developments occurring in such companies.
- 5 - To ensure transparency and disclosure as prescribed in this Law and the resolutions implementing it.
- 6 - To issue the requisite resolutions concerning approval of membership of the Market and trading in securities and commodities in accordance with the provisions of this Law and the regulations issued pursuant thereto.
- 7 - To undertake all other acts which assist the Board in achieving the objective of the

Authority.

Article 13

The Board shall submit a report to the Council of Chairman of the Boards on the Market's activities every six months.

Article 14

"The Authority shall have an administrative body set in place and organized by a resolution of the Board. The administrative body shall be headed by a full time chief executive with the degree of undersecretary and a number of deputy chief executives having the rank of assistant undersecretary, all of whom shall be appointed by a Federal Decree as per the suggestions of the Board. The regulations applicable to the Authority staff shall have effect in connection with them."

Chapter Three The Authority's Financial Affairs

Article 15

The Authority shall have an annual budget prepared by the Chief Executive and approved by the Board. Its fiscal year shall commence on first January and end at the end of December each year. Exceptionally, the Authority's first fiscal year shall commence on the date when this law comes into force and shall end at the end of the following fiscal year.

Article 16

First: The Authority's sources of income shall consist of the following:

- 1 - Annual funds allotted to the Authority by the Federal Government.
- 2 - That which accrues to the Authority under the regulations provided for in this law from the following:
 - a - Listing fees and annual fees levied on the companies and the Brokers in the Market.
 - b - Fees levied on trading, and fees for the services rendered by the Market.
 - c - Fines levied on Brokers and companies whose securities are listed for trading, and any other fines.

Second: The Authority's properties shall be deemed public properties.

Article 17

The Federal Government shall bear the expenses of establishing the Authority.

Article 18

The Authority shall keep regular books of account in order to monitor its operations and reflect its true financial position in accordance with the bases of accounting employed in the State.

The prior-control provisions prescribed in Federal Law No. 7 of 1976 aforesaid shall not apply to the Authority.

Article 19

The Authority shall have one or more auditors from amongst the statutory accountants entered on the roll of practising auditors. Appointment, and the determining of fees, shall be by Board resolution passed annually.

Part Two Securities and Commodities Market

Chapter One Establishment and Administration of the Market

Article 20

1- Markets for trading in Securities and Commodities shall be established in the State. Each Market shall be in the form of a local public establishment or a public joint-stock company licensed by the Authority. It shall be a prerequisite that Markets are reciprocally and electronically linked at State level.

2- If the market took the form of local public establishment, it shall be administered by a board of directors constituted pursuant to a resolution promulgated by the competent local authority, provided that none of its members is a member in the board of directors of a public joint stock company or a financial broker. The members of the board of directors of the Market shall be subject to the provisions of [Article \(10\)](#) herein.

If the market took the form of public joint-stock company, the members of its board of directors shall be elected according to provisions of companies act and its bylaw.

Article 21

The Market's director general, his deputy, and each member of the Market, shall, forthwith upon assuming his duties, make a declaration in writing as to the securities owned by himself, his spouse and his minor children, as well as the holdings of himself and the holdings of his spouse and his minor children with any Broker. He shall also make a declaration in writing as to any change occurring therein within one week at most from the date he becomes aware of the change.

Article 22

The Market's board of directors shall exercise the following competences:

- 1 - To appoint the Market's director general and his deputy.
- 2 - To establish the organizational structure and the annexes thereto, the internal regulations and all administrative rules and instructions.
- 3 - To monitor on a daily basis the trading transactions in Securities and Commodities, so as to ensure justice as between transacting parties.
- 4 - To present reports and data to the Authority and make the necessary press releases so as to ensure transparency of information and disclosure.

Article 23

Subject to the provisions of Article 16 of this Law, the Market shall be financed from the following sources:

- 1 - Listing fees and annual fees levied on companies and Brokers in the Market.
- 2 - Fees levied on trading, and fees for the services rendered by the Market.
- 3 - Any fines levied on Brokers or companies whose Securities are listed for trading.

Article 24

- 1 - All transactions in Securities listed in the Market shall be entered in its records.
- 2 - An entity whose Securities are the subject of a transaction outside the Market shall notify it of the transactions in such Securities in accordance with the rules in force issued by the Board.
- 3 - Any transaction in Securities listed in the Market not recorded according to the provisions of this Law and the regulations and resolutions issued in implementation thereof shall be null and void.

Chapter Two Brokers

Article 25

Transacting in the Securities listed on the Market shall be restricted to licensed brokers.

Article 26

Licensed brokers and their representatives shall abide by the following:

- 1- Compliance with the provisions of this Law and the regulations issued in implementation thereof, and all resolutions and instructions relating to the Market.
- 2 - Refraining from any act such as to harm the reputation of the Market, its members or transacting parties therein, or arranging or participating in any fictitious transactions not conducive to a true transfer of the Securities or funds which are the subject of the dealing.

Article 27

The board of directors of the Market may impose on Brokers any of the following penalties:

- 1 - A warning.
- 2 - A monetary fine not exceeding one hundred thousand Dirhams.
- 3 - Encashment of the bank guarantee in part or in full.
- 4 - Suspension of the Broker from activity for a period not exceeding one week, and if the period of suspension exceeds one week, the matter shall be referred to the Authority to take action as it sees fit.
- 5 - A recommendation to the Authority to remove the broker from the register of Brokers licensed in the Market.

Article 28

Decisions of the Market's board of directors as to the penalties provided for in paragraphs 1 and 2 of Article 27 of this Law may be appealed before the Authority within thirty days of notification.

The Authority's decision on the appeal shall be final.

Article 29

Decisions as to the penalties provided for in paragraphs 3 and 4 of Article 27 and also the Authority's decisions for the removal of Brokers pursuant to this Law may be appealed before the competent court. In such cases the appeal shall be made within thirty days from the date of notification of the decision imposing the penalty.

Chapter Three Clearing, Settlement, Transfer of Ownership and Custody

Article 30

The prices of Securities and Commodities shall be displayed in the Market in accordance with the regulations issued pursuant to the provisions of this law, which regulations shall

include the procedures for selling, buying, clearing and settlement.

Article 31

The transfer of ownership of Securities in the Market, registration in its records and custody shall be in accordance with the regulations issued pursuant to the provisions of this Law. The issuer of these Securities shall carry out the procedures on its side for transfer of ownership without delay.

Chapter Four Supervision and Inspection Procedures

Article 32

The Board may resolve, by a majority of its members present, temporarily to halt trading in the Securities Market, or in the shares of any company, or transactions in any Securities, upon the occurrence of exceptional circumstances or that which threatens the proper and regular working of that Market.

The Board may also resolve, by the same majority, to freeze, suspend or bring back into force any rules or regulations relating to the Market or any of its operations.

Chapter Five Disclosure and Transparency

Article 33

The Board may compel any person having a connection with activities in Securities, whether a natural or a juristic person, to make public or private disclosure, and to submit any information related to his activity.

In performance of its duties, it may also order the making of any investigation it deems necessary in applying the provisions of this law or the implementing resolutions it issues in relation thereto.

Article 34

Companies whose Securities have been listed in the Market shall promptly furnish it with any information which affects the prices of these Securities, upon the same becoming available to them.

The Market's board of directors shall have the right to publish such information in the local press and other media it deems appropriate.

Article 35

Companies whose Securities have been listed in the Market shall publish, when so requested, any explanatory information which relates to their circumstances and activities and is such as to secure the integrity of transactions and the confidence of investors.

Article 36

The furnishing of false information, statements or data such as to affect the market value of Securities and an investor's decision to invest or otherwise shall not be permitted.

Article 37

The exploitation of undisclosed information which could affect prices of Securities in order to achieve personal benefits shall not be permitted. Any dealing effected in contravention of this shall be null and void.

Article 38

It shall be permitted for the chairman and the members of the board of directors of a company whose Securities are listed in the Market, and its general manager, or any of its employees, to effect dealings himself or through others in any transaction in the Securities of such company, subject to disclosure through the Market of the purchase or sale transaction, the quantities and prices therein, and any other information required by the Market, and the obtaining of the approval of its board of directors for the transaction. Any transaction not effected pursuant to such disclosure shall be null and void.

Article 39

It shall not be permitted for any person to deal in Securities on the basis of unpublicised or undisclosed information he acquired by virtue of his position.

It shall not be permitted for any person to spread rumours regarding the selling or buying of shares. Nor shall it be permitted for the chairman and members of any company's management or its employees to exploit their inside information as to the company in the purchase of shares or the sale thereof in the Market.

Any transaction effected by any person in contravention of the provisions of the two preceding paragraphs shall be null and void.

Part Three Penalties

Article 40

Any broker, or representative of his, or any employee or auditor in the Market, and any person concerned in the execution of Market operations, who fails to respect professional

confidentiality and secrecy of client names shall be liable to imprisonment and to a fine not exceeding one hundred thousand Dirhams, or to either of these penalties, this being in addition to the disciplinary penalties provided for in Article 27 of this Law.

Article 41

Any person who contravenes the provisions of Articles 36, 37 and 39 of this Law shall be liable to imprisonment for a period of not less than three months and not more than three years, and to a fine of not less than one hundred thousand Dirhams and not more than one million Dirhams, or to either of these penalties.

Article 42

Any person who contravenes the provisions of Article 38 of this Law shall be liable to imprisonment for a period of not more than three years, and a fine of not less than one hundred thousand Dirhams and not more than one million Dirhams, or to either of these penalties.

Article 43

Without prejudice to the penalties prescribed in this Law or in any other law, any person who contravenes any other provision of this Law and the regulations issued pursuant thereto shall be liable to imprisonment and a fine, or to either of these penalties.

Part Four Final Provisions

Article 44

The Authority shall, in consultation with the Markets, determine the fees required to implement the provisions of this law and the regulations issued thereunder.

Article 45

As an exception to the evidential provisions and rules prescribed in any other law, proof in cases relating to Securities shall be permissible by all means of proof, including electronic data, data emanating from a computer, telephone recordings, and telex and facsimile messages.

Article 46

The regulations concerning the functioning of the Authority and the rules and directions related thereto shall be issued within a period of three months at most as from date of its establishment.

Likewise, the regulations provided for in Article 4 of this law shall be issued within a period of six months at most.

Article 47

The Board shall issue the resolutions necessary for the implementation of this law.

Article 48

Any provision of any other law or legislation contrary to or incompatible with the provisions of this law and the regulations and resolutions issued pursuant thereto shall be repealed.

Article 49

This law shall be published in the Official Gazette and shall come into force from the date of its gazetting.

[Signed]

Zayed Bin Sultan Al Nahyan

President of the United Arab Emirates

Issued by Us at the Presidential Palace, Abu Dhabi

On 23 Shawwal 1420 Hijri

Corresponding to 29 January 2000 AD