

UAE Securities and Commodities Authority's New Rulebook

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Following the implementation of the new Rulebook by the United Arab Emirates' ("UAE") Securities and Commodities Authority ("SCA"), several amendments were made, for example to its licensing regime and application processes and requirements.

Rulebook

Under the Board of Directors' Decision No. (13/R.M) of 2021, the SCA has issued its new rulebook, which consolidates the SCA's financial regulations and its licensing procedures (the "Rulebook"). The SCA issued the Rulebook on the 9th of May 2021 and it was published on the Federal Gazette on the 16th of May 2021.

Effective immediately, a grace period of one year (i.e. until 17 May 2022) has been given for SCA firms to upgrade their existing financial services licenses for activities conducted in or from the UAE (this does not include the Dubai International Financial Centre and the Abu Dhabi Global Market). As for new applicants, the new SCA licensing regime will apply.

The New Licensing Regime

Licensed Financial Activities

As per the new Rulebook, licensed financial activities now include broader forms of brokerage activities and are now divided into five categories:

- Dealing in securities;
- Dealing in investments;
- Custody, clearing and registration;
- Credit rating; and
- Arrangement and advice.

Companies licensed in financial free zones, DIFC and ADGM, are eligible to apply for an SCA license depending on their legal form and the type of activity to be undertaken.

New Definition of Professional Investor

As for the regulations that apply to the promotion of securities, the SCA has broadened the definition of a Professional Investor (previously Qualified Investor) and now allows investors to be categorised as such:

- Professional Investor by nature
- Professional Investor by evaluation; or
- Professional Investor by service(s) provided.

The new definition now captures new categories of Professional Investors, who previously would not have been caught under the Qualified Investor definition. An example would be natural persons who may be considered Professional Investors by evaluation of their net worth (i.e. high net worth individuals). This is particularly important as firms who promote financial products to Professional Investors are exempted from specific promotion and introduction prohibitions. In effect, this would likely broaden financial promotion capabilities within the UAE.

Initial Approval Application

Applicants will now be required to follow an initial approval application process. This process will allow applicants to receive a decision on their license application within 30 days from the date of submission.

In passing the initial approval application process, applicants must satisfy the Evaluation Criteria, which will involve an assessment of:

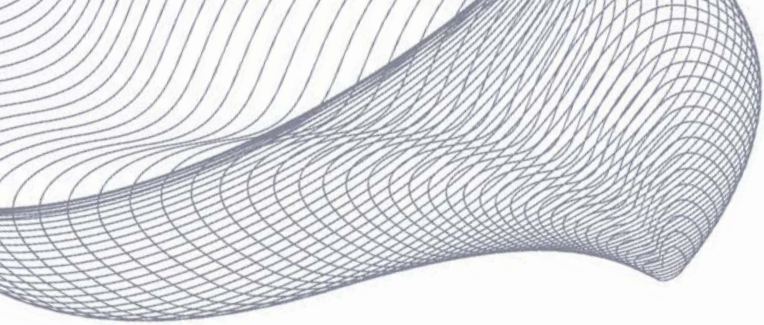
- compliance;
- truthfulness and integrity;
- monetary capacity;
- accessibility of sufficient resources;
- viability study and business plan;
- knowledge and capability;
- absence of rejection by other regulatory authorities; and
- appropriateness of directors and managers.

If the SCA rejects an application, it will provide its reason(s) so as to allow applicants to fix any flaws in their application and increase their chances of approval upon resubmission.

Other Amendments

Besides those mentioned above, the following amendments were also made:

- updates to definitions of:
 - promotion;
 - security; and
 - foreign security;



- additional requirements for SCA licensed firms in relation to the outsourcing of services;
- simplification of the rules to marketing funds; and
- the repeal of:
 - the promoting and introducing regulations from 2017 (fully repealed); and
 - regulations concerning both financial activities and requirements for matters like issuing securities, prospectuses and fund establishments (partially repealed).

Conclusion

With the above amendments and updates made, the new Rulebook provides clarity and consistency to the SCA's financial regulations further ensuring it is according to international standards and best practices.

Disclaimer

This article is for informational purposes only and shall not be considered as legal advice or opinion.

