

Federal Law No. (4) of 2000
Concerning the U.A.E. Exchange &
Commodity Market and its Commission

We, Zayed Bin Sultan Al Nahyan, President of U.A.E, having perused the Constitution, and
Federal Law No. (1) for 1972 regarding the Powers of Ministries, authorities of Ministers and amendments of; and
Federal Law No. (7) for 1976 regarding the establishment of the U.A.E. State Audit Institute, and
Federal Law No. (10) for 1980 regarding the Central Bank, Monetary System and Regulation of Banking Profession as amended, and
Federal Law No. (8) for 1984 regulating Commercial Companies and the amendments thereof, and
Federal Law No. (5) for 1985 regarding the Civil Code and the amendments thereof, and
Federal Law No. (6) for 1985 regarding the Banks and Financial Institutions and the amendments thereof, and
Federal Law No. (3) for 1987 regarding the Penal Code, and
Federal Law No. (10) for 1992 regarding the Evidence in the Commercial and Civil Codes, and
Federal Law No. (11) for 1992 regarding the Civil Procedures, and
Federal Law No. (18) for 1993 regarding the Commercial Transactions Practice, and
And upon the presentation by the Minister of Economy and Commerce, and the approval by the Cabinet of Ministers and the Federal Supreme Council,

Passed the following law:

Definitions

Article 1

In implementing the provisions hereof, the following words and expressions shall, unless the context otherwise indicates, have the meanings shown opposite thereto:

State:	The State of the United Arab Emirates.
Ministry:	The Ministry of Economy & Commerce.
Commission:	The Commodities & Stock Exchange Commission.
Minister:	The Minister of Economy & Commerce.
Board:	The Commission Board of Directors.

Exchange Market the Commodities & Stock Exchange duly licensed by the Commission to operate in the State.

Securities: The stocks, bonds, and notes issued by joint-stock companies as well as the bonds and notes issued by the Federal or Local Governments, Public Authorities and Institutions of the State or any other financial instrument, local or non-local, accepted by the Commission.

Commodities: The agricultural products, natural resources extracted from underground or seabed after being prepared for commercial use.

Stockbroker: The corporate person licensed under the provisions hereof to carry out brokerage in the stock exchange.

Stockbroker's

Representative:

The natural person appointed by the stockbroker to act on his behalf in the brokering the transactions relating to securities and commodities.

Part One
Exchange & Commodities Commission
Chapter One
Commission Establishment, Objects, and Powers

Article 2

A public commission shall be established in the capital of the State to be called “Exchange & Commodities Commission” and shall enjoy its corporate personality, administrative and financial independence, as well as the executive and supervisory powers necessary to perform its duties in accordance with the provisions hereof and the regulations to be issued to execute the same, and to be affiliated with the Minister.

The Commission may establish any branches or affiliated offices to carry out the supervision and control duties over the market. The Commission shall not carry out any trade business or have interest in any project, nor shall it possess or issue any securities.

Article 3

The Commission aims at achieving the following objects:

1. To provide the opportunity for the investment of savings and funds in the securities and commodities in such a manner to maintain the interest of the national economy, secure the validity and accuracy of transactions, ensure the interaction of the supply and demand factors in order to set prices and protect the investors by virtue of establishing of sound grounds for dealing among the investors.
2. To promote investment awareness by conducting studies and by providing recommendations.
3. To work toward securing the economic and financial stability.

Article 4

First: In its quest to achieve the above objects, the Commission shall exercise the following powers:

1. To recommend regulations relevant to the following matters, provided that the same shall be issued under the resolution from the Cabinet of Ministers:
 - I. Regulations relating to the operation of the Commission.
 - II. Regulations relating to the licensing and control over the market.
 - III. Regulations relating to the acceptance, negotiation, cancellation or suspension of any securities or commodities within the market.
2. To enact the following regulations in consultation and coordination with the licensed exchange market within the State:
 - I. Regulations concerning the operation of the market.
 - II. Regulations concerning stockbrokers and the control or suspension of their functions.
 - III. Regulations concerning trading, clearing, adjustment, transfer of ownership and safekeeping of securities.
 - IV. Regulations concerning membership of the market.
 - V. Regulations concerning disclosure and transparency.
 - VI. Regulations concerning arbitration in disputes arising from trading in securities and commodities.
3. To form specialized technical committees and determine the scope of their performance and as well as their fees.

4. To communicate with the international stock markets with the object to learn and exchange information and expertise. And also to join the membership of the relevant international and Arab organizations and federations.
5. To perform all other acts which may enable the Commission to realize its objects or exercise its powers according to the law.

Second: The stock market exchanges licensed in the State may provide their suggestions as to the amendments they may deem fit to the regulations stipulated for herein.

Article 5

The Commission shall, within the limits of the objects for which it is established, enjoy the exemptions and facilities to which the other State institutions are entitled.

Chapter Two

Commission Bodies and Powers

Article 6

The management of the Commission shall be undertaken by the Board to be formed under resolution passed by the Cabinet of Ministers to be chaired by the Minister and in presence of the following members:

- Two members representing the Ministry.
- Two members presenting the Ministry of Finance and Industry.
- One member representing the Central Bank.
- Four members, who are sufficiently experienced and specialized, to be nominated by the Minister in coordination with the Minister of Finance and Industry.

In its first meeting, the Board shall elect a deputy chairman from among its members. The Board shall also appoint a secretary to record the minutes of meetings and such secretary shall not have a countable vote.

Article 7

The remuneration of the members of the Board shall be determined by the Cabinet of Ministers.

Article 8

The membership term shall be for three years to be renewable only for one further term. The following terms may be extended to half of the members provided that the term of membership shall not exceed nine years.

In the event that the office of any of the members becomes vacant, for any reason before the expiry of his term, a member shall be appointed to succeed him for the remaining period.

Article 9

Each of the Board members shall, upon assuming the duties of

his office, declare in writing to the Commission of the securities held by him, his spouse or his minor children, together with his contributions or those of his spouse or minor children with any stockbroker. Each member shall also declare in writing of any changes thereto within one week from the date he learns the same.

Article 10

Any member condemned of any felony or crime pertaining to the violation of trust, morality or declaration of bankruptcy, his membership shall cease. The failure by any member to attend three successive meetings without a justifiable reason, shall result in forfeiture of his membership.

Article 11

The Board shall be convened once every two months at least and when necessary upon an invitation by the chairman.

Invitations including the agenda shall be given to members in writing sufficiently before the due date.

The Board meetings shall be deemed valid if the majority of members are present, provided that such majority shall include the chairman or his deputy. Resolutions shall pass with the majority of the present votes and in case of tie, the chairman shall have a casting vote.

Article 12

The Board shall exercise the following powers:

1. To ensure that the regulations stipulated in Article 4 hereof are implemented.
2. To receive complaints and reports relating to the market and stockbrokers' activities, and to take appropriate decisions in that regard subject to the provisions hereof and pursuant to the regulations enacted hereunder.
3. To oblige the exchanges and stock brokers to present

their annual balance sheets, profit & loss account and financial statements duly audited by a chartered accountant within one month from the end of fiscal year.

4. To compel the exchange markets to take necessary actions as to the disclosure by the companies, whose securities are listed therewith, of any substantial changes occurring to such companies.
5. To ensure that transparency and disclosure system conform with the manner prescribed hereunder and the resolutions passed in execution hereof.
6. To take the necessary decisions concerning the permission re market membership, trading of commodities and securities in accordance with the provisions hereof and the resolutions passed in execution hereof.
7. To perform all other acts which may enable the Commission to achieve its objects or exercise its powers according to the law.

Article 13

The Board shall provide the Cabinet of Ministers with a report on the market activities every six months.

Article 14

The Commission shall have its Administrative Body to be formed under the resolution passed by the Board. The said Administrative Body shall be chaired by a full-time Executive Officer appointed by the Board.

Chapter Three

Commission Financial Affairs

Article 15

The Commission shall have an annual balance sheet to be prepared by the Executive Officer and approved by the Board. The Commission's fiscal year shall commence on the 1 January and end on 31 December of each year, except for the first fiscal year which shall commence on the date of enforcement hereof and end on the date of expiry of the following fiscal year.

Article 16

First- the resources of the Commission shall consist of the following:

1. The annual financial allocations that the Federal Government provides to the Commission.
2. The funds yielded by the Commission from the following sources in accordance with the regulations stipulated herein:
 - a) Annual and registration fees prescribed to stockbrokers and companies in the market.
 - b) Fees levied on trading and services provided by the market.
 - c) Fines levied from stockbrokers and companies whose securities are listed for trading or any other fines.

Second: The Commission funds shall be deemed public funds.

Article 17

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

Article 18

The Commission shall keep regular accounting books to regulate its operations and to reflect its true financial position in accordance with the accounting standards applicable in the State.

The provisions of preceding control stipulated for in the Federal Law no. 7 of 1976 referred to.

Article 19

The Commission shall have one or more auditors to be appointed from among the chartered accountants scheduled in the practicing auditors. The appointment of auditors and determination of their remuneration shall be made under the resolution to be passed by the Board annually.

Part Two
Securities & commodities Exchange

Chapter One
Establishment & Management of Market

Article 20

An exchange for the negotiation of securities and commodities shall be established in the State. The said exchange shall be in the form of a local public institution to be duly licensed by the Commission provided that the exchanges all over the State shall be electronically linked.

The said exchange shall be managed by the Board of Directors to be formed by a resolution from the local competent authority, provided that no member of the Board shall be a director in any public joint-stock company or a stockbroker. The members of the Board shall be subject to the provisions of Article 10 hereof.

Article 21

The Director General, his deputy and each member of the Board shall, upon undertaking their respective duties, declare in writing to the Commission of the securities held by him, his spouse or his minor children, together with his contributions or those of his spouse or minor children with any stockbroker. Each member shall also declare in writing of any changes thereto within one week from the date of his knowledge of the same.

Article 22

The Exchange Board shall exercise the following competencies:

1. To appoint the Exchange Director General and his deputy.
2. To frame the structural organization, by-laws, and all the administrative regulations and directions.
3. To daily follow up with the transactions of securities and commodities negotiation to ensure fair dealings.

4. To present reports and information to the Commission and issue the necessary press releases to secure transparency of information and disclosures.

Article 23

Subject to the provisions of Article 16 hereof, the Exchange shall be financed by the following resources:

1. Annual and registration fees prescribed to stockbrokers and companies in the market.
2. Fees imposed on negotiation and services provided by the market.
3. Any fines or penalties imposed on stockbrokers and companies whose securities are listed for negotiation.

Article 24

1. All the transactions carried out to the securities listed in the Exchange shall be recorded in its relevant registers.
2. The party whose securities are being negotiated outside the Exchange shall be bound to inform the it of the transactions carried out to such securities in accordance with the applicable rules as passed by the Board.
3. Any transaction in securities listed in the Exchange and not recorded as per the provisions hereof as well as the regulations and resolutions passed in execution hereof shall be deemed null and void.

Chapter Two **Stockbrokers**

Article 25

Dealing in the securities listed in the Exchange shall be limited to the licensed stockbrokers.

Article 26

The licensed stockbrokers and their representatives shall observe the following:

1. To abide by the provisions hereof, the regulations passed in execution hereof, as well as the relevant directions.
2. To refrain from any act which may cause damage to the reputation of the Exchange, its members or dealers, and to refrain from contributing to or arranging for any fictitious transaction which does not result in true exchange of the subject securities or funds.

Article 27

The Exchange Board shall have the right to impose any of the following penalties upon the stockbrokers:

1. To serve notice.
2. To impose financial fines for not more than one hundred thousand Dirhams.
3. To forfeit the bank guarantee in whole or part.
4. To suspend the stockbroker for no more than one week, and in case suspension exceeds the said period, the matter shall be referred to the Commission to take the necessary action as it may see fit.

5. To recommend to the Commission that the stockbroker be removed from the Exchange's licensed stockbrokers register.

Article 28

The decisions relating to the penalties stated in paragraphs 3 and 4 of Article 27 above as well as the resolutions passed by the Commission for the de-registration of stockbrokers' subject here- to may be challenged under objections filed before the competent court. Such objection should be filed within thirty days from the date the penalty is served.

Chapter Three
Clearing, Adjustment, transfer of Title & Filing

Article 30

Prices for the securities and commodities shall be offered in the market in accordance with the regulations passed hereunder, provided that such regulations shall include the procedures of sale, purchase, clearing and adjustment.

Article 31

The title to securities shall be transferred in the Exchange and the same shall be recorded in its register and filed according to the regulations passed under the provisions hereof. The party issuing such securities shall take the necessary measures to transfer title without delay.

Chapter Four
Control and Inspection Procedures

Article 32

The Board may, under the majority of votes of the present members, resolve to temporarily suspend the Exchange trading in any company's stocks or securities upon the occurrence of any contingent circumstances or any threat to its smooth and regular operation.

The Board may, under the same majority, resolve to freeze or re-institute any rule or regulation relating to the market or any of its operations.

Chapter Five
Disclosure and Transparency

Article 33

The Board may oblige any person - natural or corporate - connected to the activities of the exchange, to publicly or privately disclose or present any information relating to his activity.

For such purpose, the Board may order any investigation that he may deem necessary to ensure the implementation of the provision hereof or the executive resolutions passed in respect hereof.

Article 34

Companies whose securities are listed in the Exchange are required to inform the Board of any information which may affect the prices of securities once the same is available with them.

The Board shall have the right to circulate such prices in local newspapers and mass media as it may see fit.

Article 35

Companies whose securities are listed in the Exchange shall, upon request, disclose any explanatory information relating to their standing and activities to ensure conducting sound transactions and assure the investors.

Article 36

It shall not be permitted to disclose any untrue or incorrect information, declarations or statements which may affect the market value of the securities and the investors' decisions whether or not to invest therein.

Article 37

The undisclosed information which may affect the prices of securities may not be utilized to achieve personal benefits. Any act in violation thereof shall be null and void.

Article 38

The chairman, members of the board, general manager, or any officer of the companies whose securities are listed in the market may - in person or through others - conduct any transaction in the same company's securities, provided that the transaction of sale, purchase, quantities, and prices thereof be disclosed through the Exchange together with any other information required for the market and that the same shall be approved by its board of directors. Any transaction conducted in violation of the said disclosure shall be deemed null and void.

Article 39

No person shall deal in securities under any undisclosed information which he learns about by virtue of his office.

No person shall circulate any rumors regarding the sale or purchase of stocks nor shall the chairman, members of the board, or any officer in the companies take advantage of the company's internal information in the sale or purchase of securities in the market.

Any act undertaken by any person in violation of the provisions of the above paragraphs shall be null and void.

Part Three **Penalties**

Article 40

Any stockbroker, his representative, employee, any auditor or any person authorized to conduct transactions in the market who fails abide by or fail to keep the secrets of the profession and fails to maintain investors' names confidential, shall be punished by imprisonment or fine of no more than one hundred thousand Dirhams, or either penalty, in addition to disciplinary stipulated for in Article 27 hereof.

Article 41

Any person violating the provisions of Articles 36, 37 & 39 hereof shall be punished by imprisonment for no less than three months and no more than three years plus the fine for no less than one hundred thousand and no more than one million Dirhams, or either penalty.

Article 42

Any person violating the provisions of Articles 38 hereof shall be punished by imprisonment for no more than three years plus fine for no less than one hundred thousand Dirhams, or either penalty.

Article 43

Without prejudice to the penalties stipulated herein or in any other laws. Any person violating any other provisions hereof or of the regulations passed hereunder shall be punished by imprisonment plus the fine, or either penalty.

Part Four
Final Provisions

Article 44

The Commission shall, in consultation with the Exchanges, determine the fees to be prescribed for the implementation of the provisions hereof and the regulations passed hereunder.

Article 45

Save the provisions and rules of evidence established by any other law, substantiation in the cases of securities by all conceivable means of evidence including the electronic data or those generated by computers, telephone recorded messages, telex and telefax correspondence.

Article 46

The regulation for the operation of the Commission together with the relevant rules and regulations shall be passed within three months from the date of the establishment of the Commission.

Furthermore, the regulations stipulated for in Article 4 herein shall be passed within 6 months at most.

Article 47

The Board shall pass the necessary resolutions in execution of the provisions hereof.

Article 48

Any stipulation of any law or legislation to the contrary or in conflict herewith, the regulations or resolutions passed hereunder shall be superseded.

Article 49

This law shall be published in the Gazette and come into force as from the date of publication.

Zayed Bin Sultan Al Nahyan
President of the U.A.E.

Passed at the Presidential Palace in Abu Dhabi:
On: 23rd Shawwal 1420 Hijri,
Corresponding to: 29th January 2000.