THE UNITED ARAB EMIRATES’
FINANCIAL RULES AND REGULATIONS

EFFECTIVE FROM 14 AUGUST 2009

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OBJECTIVE OF THE EXAMINATION

The objective of the examination is to ensure candidates have a basic knowledge of the regulations and legislation underpinning the financial markets and the conduct of investment business in the United Arab Emirates.

The examination will test candidates' knowledge and understanding of the following elements:

- Element 1 The Regulatory Infrastructure
- Element 2 Associated Market and Securities Legislation and Practice
- Element 3 Authorised Persons
- Element 4 Markets
- Element 5 Market Conduct Legislation and Regulation
- Element 6 Client Protection
- Element 7 Trading

ASSESSMENT STRUCTURE

A 1 hour examination of 50 multiple choice questions.

SYLLABUS STRUCTURE

The unit is divided into elements. These are broken down into a series of learning objectives.

Each learning objective begins with know or understand. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
EXAMINATION SPECIFICATION

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus 2.

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DEFINITIONS

In this syllabus, unless the context otherwise requires, words and expressions shall have the meaning ascribed to it in the relevant law, rule or regulation.
SUMMARY SYLLABUS

ELEMENT 1  THE REGULATORY INFRASTRUCTURE
  1.1  Federal Law No. 4 of 2000
  1.2  Securities & Commodities Authority (SCA)

ELEMENT 2  ASSOCIATED MARKET AND SECURITIES LEGISLATION AND PRACTICE
  2.1  SCA Resolutions
  2.2  Corporate Governance

ELEMENT 3  AUTHORISED PERSONS
  3.1  Brokers (SCA resolution 2000-1 dated 8 April 2000, as amended)

ELEMENT 4  MARKETS
  4.1  General background
  4.2  Disclosure and Transparency SCA resolution 2000-3 dated 5 November 2000, as amended
  4.3  Market Activities
  4.4  Listing

ELEMENT 5  MARKET CONDUCT LEGISLATION AND REGULATION
  5.1  Anti-Money Laundering in the UAE
  5.2  Money Laundering accepted practice in UAE
  5.3  Market Abuse and Market Conduct accepted practice in the UAE
  5.4  Insider Dealing accepted practice in the UAE
  5.5  Inducements accepted practice in the UAE
  5.6  Conflicts of Interest accepted practice in the UAE

ELEMENT 6  CLIENT PROTECTION
  6.1  Client Identification accepted practice in the UAE
  6.2  Client Classification accepted practice in the UAE
  6.3  Client Assets accepted practice in the UAE
  6.4  Client Communications, Reporting, Financial Promotions and Advertising accepted practice in the UAE
  6.5  Arbitration of Disputes (SCA resolution 2001-1 dated 5 February 2001)

ELEMENT 7  TRADING
  7.1  Abu Dhabi Securities Market ADX
  7.2  Commodities
ELEMENT 1 THE REGULATORY INFRASTRUCTURE

1.1 Federal Law No. 4 of 2000
On completion, the candidate should:

1.1.1 understand the functions of the Securities & Commodities Authority (SCA) (Federal Law No. 4 of 2000 part 1, chapter 1-3, articles 1-19)
   - incorporation of SCA
   - organs of the SCA
   - SCA’s financial affairs

1.1.2 understand the establishment and administration of the securities and commodities market (Federal Law No. 4 of 2000 part 2, chapter 1, articles 20-24)

1.1.3 understand the laws relating to brokers (Federal Law No. 4 of 2000 part 2, chapter 2, articles 25-29)

1.1.4 understand the application of Federal Law No. 4 of 2000 (part 2, chapter 3-4, articles 30-32) to:
   - clearing
   - settlement
   - transfer of ownership
   - custody

1.1.5 understand the application of Federal Law No. 4 of 2000 (part 2, chapter 5, articles 33-39) to Disclosure and Transparency
   - Board’s powers
   - price sensitive information
   - dealings by the chairman, directors and staff
   - inside information

1.2 Securities & Commodities Authority (SCA)
On completion, the candidate should:

1.2.1 understand the regulations as to the functioning of the Securities & Commodities Authority (Cabinet of Ministers Resolution 2000-13 dated 3 July 2000)
   - public authority
   - objectives and powers
   - organs of SCA and their competencies
   - administration
   - finances
1.2.2 understand the regulations as to Membership of the Market (SCA resolution 2000-2 dated 5 November 2000)
   - membership and registration
   - obligations of members (code of professional conduct under article 10)
   - inspection of members (Board regulations under article 13)
   - termination of membership
   - the General Assembly

1.2.3 understand the regulations as to market licensing and supervision (Cabinet of Ministers resolution 2000-11 dated 10 May 2004)
   - conditions
   - applications
   - Board’s powers

ELEMENT 2 ASSOCIATED MARKET AND SECURITIES LEGISLATION AND PRACTICE

2.1 SCA Resolutions

   On completion, the candidate should:

   2.1.1 know the regulations that apply to a securities and commodities market licensed in the UAE (Regulations as to the functioning of the market SCA regulation 2001-3 dated 29 April 2001)
      - general provisions
      - establishment and management
      - membership
      - trading
      - finances

   2.1.2 understand the need for capital adequacy and the capital adequacy requirements established by the Central Bank of the United Arab Emirates. (Central Bank circular 13/93 dated 14 April 1993 to all banks)

   2.1.3 know the regulations concerning the carrying on of money changing business in the UAE (UAE Central Bank resolution 123/7/92):
      - licence requirement
      - application
      - conditions for granting a licence
      - scope of licence
      - revocation, restriction and variation of a licence
      - continuing obligations
2.2 Corporate Governance

On completion, the candidate should:

2.2.1 *know* the terms of the corporate governance code for joint stock companies and institutional discipline criteria (Chairperson decision no R/32 of 2007 issued 9 April 2007)
- scope of the code
- Board of Directors
- Chairman
- remuneration
- internal control

ELEMENT 3 AUTHORISED PERSONS

3.1 Brokers  *(SCA resolution 2000-1 dated 8 April 2000, as amended)*

On completion, the candidate should:

3.1.1 *understand* the Regulations as they apply to the licensing of Brokers

3.1.2 *understand* the Regulations as they apply to Brokers rights

3.1.3 *understand* the Regulations as they apply to Brokers obligations

3.1.4 *understand* the Regulations as they apply to restrictions on Brokers

ELEMENT 4 MARKETS

4.1 General background

On completion, the candidate should:

4.1.1 *Know* basic details of the products traded in the UK, US and Japanese financial markets
- debt
- equity
- depositary receipts
- investment funds
- derivatives
4.2 Disclosure and Transparency SCA resolution 2000-3 dated 5 November 2000, as amended

On completion, the candidate should:

4.2.1 understand the Regulations as to Disclosure and Transparency (regarding their purpose and notification requirements)

4.2.2 understand the Regulations as to Disclosure and Transparency regarding SCA’s disclosure responsibilities

4.2.3 understand the Regulations as to Disclosure and Transparency regarding market disclosure responsibilities

4.2.4 understand the Regulations as to Disclosure and Transparency regarding disclosure by listed companies

4.3 Market Activities

On completion, the candidate should:

4.3.1 understand the Regulations as to Trading (SCA resolution 2001-2, 18 February 2001 chapter 2 as amended)

4.3.2 understand the Regulations as to Clearing, Settlement, Transfer of Ownership and Custody of Securities (SCA resolution 2001-2, 18 February 2001 chapter 3, as amended)

4.4 Listing

On completion, the candidate should:

4.4.1 understand the Regulations as to the Listing of Securities and Commodities (SCA resolution 2000-12 dated 3 July 2000, as amended)
  - listing (articles 2-6)
  - applications (articles 7-10)
  - restrictions on trading (articles 17-18)
  - issuing company obligations (article 19)

4.4.2 understand the terms concerning the listing of debt securities (Resolution concerning the listing of debt securities 2005 SCA 2005-94)
  - application (articles 2 & 7 – note that candidates are not expected to know the contents of appendix 1)
  - listing conditions – companies (articles 4 & 6)
  - listing conditions – debt securities (article 5)
  - advertisements (article 11)
  - appeals (article 17)
  - continuing obligations (articles 20 & 21)
  - suspension and cancellation (articles 27 & 28)
4.4.3 understand the terms concerning the listing of Islamic bonds (Resolution concerning the listing of Islamic bonds 2005. SCA 2005-93)
- application (articles 2 & 7 – note that candidates are not expected to know the contents of appendix 1)
- listing conditions – companies (articles 4 & 6)
- listing conditions – Islamic bonds (article 5)
- advertisements (article 11)
- appeals (article 17)
- continuing obligations (articles 20 & 21)
- suspension and cancellation (articles 27 & 28)

ELEMENT 5 MARKET CONDUCT LEGISLATION AND REGULATION

5.1 Anti-Money Laundering in the UAE
(Federal Law No 4 of 2002 regarding criminalisation of money laundering and SCA circular 2004-0 dated 18 February 2004)
On completion, the candidate should:

5.1.1 understand the activities that constitute money laundering, its definition and scope

5.1.2 know the offences that give rise to property, activities in respect of which shall be regarded as money laundering

5.1.3 know the authorities conferred upon Government Agencies

5.1.4 know the penalties that may be incurred for breaches of the Federal Law No. 4 of 2002

5.1.5 know SCA’s requirements to control money laundering
- account opening
- record keeping and reporting
- staff training

5.2 Money Laundering accepted practice in UAE
On completion, the candidate should:

5.2.1 understand the terms money laundering, criminal conduct and criminal property and the application of money laundering to all crimes

5.2.2 understand the main offence set out in the Money Laundering Regulations (internal controls), which includes obligations on firms for adequate training of individuals on money laundering
- administrative
- training
- preventative
5.2.3 understand the three stages of money laundering
- placement
- layering
- integration

5.2.4 understand the main offences
- assistance
- concealing
- arrangements
- acquisition
- use
- possession
- failure to report
- tipping off
- reporting suspicious transactions

5.3 Market Abuse and Market Conduct accepted practice in the UAE
On completion, the candidate should:
5.3.1 understand the offence of market abuse

5.3.2 know the offences outlined in the Code of Market Conduct

5.3.3 know the concept of effect rather than intention and the concept of a reasonable regular user

5.3.4 understand the enforcement regime for market abuse and the exceptions (safe harbours)

5.3.5 understand the regulations in relation to market abuse in the UAE (article 16 of the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities and article 37 of the Regulations as to Disclosure and Transparency)

5.4 Insider Dealing accepted practice in the UAE
On completion, the candidate should:
5.4.1 understand the meaning of ‘inside information’ and ‘insider’

5.4.2 understand the offences described in the legislation and the instruments covered by it

5.4.3 know the special defences
- market makers acting in good faith
- market information
- price stabilisation
5.5 **Inducements accepted practice in the UAE**

On completion, the candidate should:

5.5.1 *know* the application of the inducements rules in relation to fees and commissions
- general prohibition from paying or receiving benefits
- exceptions
- disclosure obligations
- reporting requirements

5.5.2 *know* the application of the inducements rules in relation to benefits supplied or obtained

5.6 **Conflicts of Interest accepted practice in the UAE**

On completion, the candidate should:

5.6.1 understand the application and purpose of the principles and rules relating to conflicts of interest:
- conflict of interest
- identifying conflicts
- types of conflicts
- recording and managing conflicts
- disclosure of conflicts

5.6.2 *know* the rule requiring a conflicts policy and the contents of the policy

5.6.3 understand the rules on Chinese walls
- control of information
- effect of the rules
- attribution of knowledge

5.6.4 *know* the rules on managing conflicts of interest in connection with investment research and research recommendations
- application
- implementation
- conditions
- exemptions
ELEMENT 6  CLIENT PROTECTION

6.1 Client Identification accepted practice in the UAE

On completion, the candidate should:

6.1.1 understand the requirements of the Know Your Customer rules regarding evidence of the identity of personal and non-personal customers

6.1.2 know the exemptions from the Know Your Customer rules

6.1.3 know what action should be taken in the event that a client cannot supply satisfactory evidence of identity

6.2 Client Classification accepted practice in the UAE

On completion, the candidate should:

6.2.1 understand the different classifications of clients

- definition of a client
- retail
- professional
- eligible counterparties

6.2.2 know the rules that cover a person who is acting as an agent of another person

6.2.3 know the rules that relate to changes in client classification

6.3 Client Assets accepted practice in the UAE

On completion, the candidate should:

6.3.1 understand the purpose of the client money and custody rules including the requirement for segregation and that it is held in trust

- holding client assets and client money
- protection
- organisational arrangements
- registration and recording of legal title
- statutory trust

6.3.2 know the requirements for reconciling client assets and client money including the timing and identification of discrepancies

- assets and money held by the firm
- assets and money held by third parties
- frequency
- discrepancies
- notification to the SCA
6.4 Client Communications, Reporting, Financial Promotions and Advertising accepted practice in the UAE

On completion, the candidate should:

6.4.1 *understand* the rules relating to communications with client

6.4.2 *know* the rules relating to fair, clear and not misleading communications and financial promotions

6.4.3 *know* the general client reporting and occasional reporting requirements

6.4.4 *know* the rules on periodic reporting; the additional requirements regarding contingent liability transactions; the exceptions and record keeping requirements

6.4.5 *understand* the purpose and application of the financial promotion rules

6.4.6 *know* the firm’s responsibilities under the financial promotion rules regarding the use of appointed representatives

6.5 Arbitration of Disputes (SCA resolution 2001-1 dated 5 February 2001)

On completion, the candidate should:

6.5.1 *know* the general provisions (articles 2-4) of the Regulations as to the Arbitration of Disputes arising from the Trading of Securities and Commodities and how they relate to requests for arbitration (articles 6, 8 & 9)

6.5.2 *know* the Regulations as to the Arbitration of Disputes arising from the Trading of Securities and Commodities and how they relate to the recusal of an arbitrator (articles 12-14)

6.5.3 *know* the Regulations as to the Arbitration of Disputes arising from the Trading of Securities and Commodities and how they relate to panel competence (articles 17-20)

6.5.4 *know* the Regulations as to the Arbitration of Disputes arising from the Trading of Securities and Commodities and how they relate to proceedings (articles 27-32, 41 & 44) and challenges (article 47)
ELEMENT 7  TRADING

7.1  Abu Dhabi Securities Market ADX

On completion, the candidate should:

7.1.1  know the main ongoing compliance rules relating to listed companies (Rules Relating to Abu Dhabi Securities Market dated 7 November 2000 (ADX) rule 4)
   - financial information (rules 4.2/3)
   - price sensitive information (rule 4.4)
   - use of the ‘System’ (rule 4.8)
   - share register (rule 4.9)

7.1.2  know the main Abu Dhabi Market Rules relating to trading on the trading floor (ADX rule 6)
   - trading floor (rule 6.2)
   - dividends (rule 6.3)
   - suspension of trade (rule 6.4)
   - entry of orders onto the ‘System’ (rule 6.5)
   - sell orders (rule 6.6)
   - restrictions (rule 6.9)
   - trading limits (6.11)

7.1.3  know the main Abu Dhabi Market Rules relating to delivery and settlement (ADX rule 7)
   - broker settlement bank account (rules 7.2/3)
   - settlement procedures (rule 7.4)
   - default by an ADX broker (rule 7.5)

7.1.4  understand the code of conduct of the Abu Dhabi Securities Market (ADX appendix 1: Code of Conduct)
   - manipulative trading practices (rule 3)
   - improper selling practice (rule 4)
   - confidentiality (rule 5)
   - honesty and the customer’s best interest (rules 6, 9, 10 & 11)
   - Authority Law (rule 7)
   - Customer agreements (rule 8 – note that candidates are not expected to know the wording of the Risk Disclosure Statement)
   - Maintain proper records (rule 12)

7.1.5  know the terms under which banks may subscribe for certificates of deposit (Central Bank notice No. 4335/2007 dated 27 November 2007 and Central Bank notice No. 4312/2008 dated 25 September 2008)
7.2 Commodities
On completion, the candidate should:

7.2.1 understand the Regulations as to the oversight, structure and operation of the commodities markets (SCA resolution 157 of 2005 dated 6 February 2002 concerning regulations as to listing and trading of commodities and commodities contracts)
- supervision (article 2.1)
- licensing conditions (article 2.4)
- reporting requirements (articles 2.5/6 Note that candidates are not expected to know the contents of the reports detailed in article 2.6.1 a. b. & c.)
- trading halts (article 2.8)
- Board of Directors restrictions (article 2.13)
- market operations (articles 2.16-18)
- corporate governance (article 2.19)
- risk mitigation (article 2.22)
- disputes (article 2.25)

7.2.2 understand the Regulations relating to brokerage licences in the commodities markets (SCA resolution 157 of 2005 dated 6 February 2002 concerning regulations as to listing and trading of commodities and commodities contracts)
- membership requirement (article 3.1)
- licence applications (articles 3.2-5)
- inspection of brokers (articles 3.10-12)
- revocation of licence (articles 3.13-15)

7.2.3 understand the Regulations relating to the listing of commodities and commodities contracts (SCA resolution 157 of 2005 dated 6 February 2002 concerning regulations as to listing and trading of commodities and commodities contracts)
- approval (article 5.1)
- listed commodities (articles 5.2-7 & 5.11)
- applications (articles 5.13-16)