

AMERC Quarterly Review

A PUBLICATION OF THE AFRICA MIDDLE EAST REGIONAL
COMMITTEE OF IOSCO

54th Edition / April to June 2019



OICU-IOSCO

EDITORIAL BOARD

Chairman — Luke Ombara

Member — Antony Mwangi

Member — Leah Muli

Member — Viola Kilel



ANGOLA

UPDATE FROM CMC ANGOLA



CMC'S FINANCIAL EDUCATION CIRCLE ARRIVES AT CEPI

The Capital Markets Commission (CMC) held the first series of its Financial Education Plan for 2019 during 21 - 24 May. This activity consisted of presentations, a guided tour, as well as a screening of a financial film to the International Private School Complex (CEPI).

The presentation on The Securities Market in Angola was attended by 280 participants, from teachers and students of the 2nd cycle of basic education, and the importance of topics such as savings and investment, the basic concepts of the securities market in Angola and its origin, the Angolan financial system, the market players, the Angolan Debt and Stock Exchange (BODIVA), as well as the services provided by the CMC Documentation Center were highlighted. This event aimed to target different audiences, with a particular focus on the students. The main objective was to raise the level of financial literacy through the dissemination of knowledge about the securities market through presentations, films about the financial system, guided tours to CMC, didactic games, quizzes, etc.

The guided tour, included in the CMC's Financial Education Circle was attended by 21 students and 2 directors of this same Institute. Its purpose was to show the visitors the reality and the work dynamics of the regulatory body of the Securities Market such as information sharing on the latest market developments. The visitors had the opportunity to see the different organizational structures of the CMC and to interact with the staff members.

Finally, CEPI attended session of a movie entitled Margin Call, directed by J.C. Chandor launched in 2011. This initiative purpose is to associate financial education to the cinematographic with the projection of movies about the reality of the international financial market.

CMC LAUNCHES MY FIRST FINANCE COURSE

On 8 June CMC started a Financial Education Project for Children called My First Finance Course.

This course aimed to teach the children, nephews and godchildren of CMC staff, aged 7 to 12 years, on how to handle money, to make them aware of the importance of saving, to explain on the role of the monthly allowance, to show them how important it is to manage their financial resources and invest in projects that will guarantee greater security in the future, from an early age will turn them into responsible adults and committed to better financial management of their resources.

The 20 Kandengues were welcomed by the Chairman, Mr. Mario Gavião, who proceeded to open the course and then they watched a video of the CMC's branding campaign and the carried out with educational activities by using videos, animated dolls, essays and drawings.



CMC HOLDS INFORMATION SESSION

CMC held an information session on 13 June at its headquarter to the market operators.

This event falls within the scope of activities aimed

at disclosing the legislation of the Securities Market, the responsibilities and procedures to which its stakeholders are subject, through the promotion of a policy of proximity with market operators, considered by the regulator as part of its strategy to boost the Securities Market in Angola.

During the session, on the Securities Market Legislation applicable to Intermediation Agents, Collective Investment Schemes Management Companies and Regulated Market Management Companies, subjects such as the duties to which they are subject by law, the sanctions resulting from their non-compliance and the need to ensure that the supervised entity complies with the regulatory requirements and with the regulations issued by the regulatory body were addressed.



The Executive Director of the CMC, Mr. Ottoniel Santos, stated at the opening of the meeting that *“the main objective of the session is to allow the alignment with the commitments that the entities must undertake, as defined in our legislation and emphasized the fact that, as a result of the already existing market, the financial intermediaries currently perform functions as depositaries, since by law only the banks have this role.*

The session was attended by representatives of institutions from the Angolan financial system, such as: Banco Millennium Atlântico, Banco Económico, Standard Bank Angola, Banco Angolano de Investimento (BAI), Banco de Poupança e Crédito (BPC), Banco de Negócios Internacional (BNI), Banco BAI Micro Finanças (BMF), Banco de Fomento Angola (BFA), Banco BIC, Banco de Investimento Rural (BIR), Banco de Crédito do Sul (BCS), Banco da China, Madz Global, Growth and the Angolan Stock and Debt Exchange (BODIVA).

SUPERVISORY AND ENFORCEMENT ACTIVITIES

From April to June of this year, CMC carried out monitoring activities within the scope of the prudential supervision of regulated entities, namely, Intermediation Agents, Regulated Market Management Company and the Management Companies of Collective Investment Schemes.

The supervision activities of the entities totaled twelve (12) onsite supervisions and sixty-four (64) off-site supervision, two (2) entities registered and five (5) sanctioning process, as described on the table below:

Table 1: Supervisory and Enforcement Activities from April to June 2019

Activities	Apr/19	May/19	Jun/19	Total
Onsite Supervision	8	3	1	12
Off-site Supervision	34	15	15	64
Entities Registered	0	0	2	2
Sanctioning Process	01	02	02	05

Source: DSOIC, DSIFIM e GJC

TRADING OF TREASURY BONDS ON THE DEBT AND STOCK EXCHANGE FROM APRIL TO JUNE 2019

During the second quarter, the Angolan Debt and Stock Exchange (BODIVA) registered a trading of treasury bonds in an amount equivalent to USD 661 080 076.53, showing a positive variation in June, according to the table below:

Table 2: Traded Treasury Bonds from April to June 2019

Period	Type of Instrument	No. of Business	Amount Usd	Variation %
April	Total	383	246 362 086, 20	+19,27%
	Indexed Treasury Bonds	179	139 328 804, 22	
	Non-adjustable Treasury Bonds	45	85 404 910,16	

Period	Type of Instrument	No. of Business	Amount Usd	Variation %
	Treasury Bills	159	21 628 371, 82	
	TOTAL	337	204 349 990,33	
May	Indexed Treasury Bonds	235	142 278 245, 77	- 14,95%
	Non-adjustable Treasury Bonds	71	55 707 433, 15	
	Treasury Bills	31	6 364 311,40	
	TOTAL	319	210 368 000,00	
June	Indexed Treasury Bonds	216	129 954 000,00	+8,35%
	Non-adjustable Treasury Bonds	94	73 081 000,00	
	Treasury Bills	8	7 331 980,00	
	TOTAL	319	210 368 000,00	

Source: DSOIC, DSIFIM e GJC

CMC MEETS WITH U.S. TREASURY REPRESENTATIVE

The Board of Directors of the CMC held a meeting in Luanda on 18 June with Mr. Eric O. Meyer, Deputy Assistant Secretary of the U.S Department of the Treasury for Africa and the Middle East.

Mr. Mário Gavião, Chair of the CMC provided a brief summary of the latest developments in the Angolan capital market. He did highlight the volume of trading, typology of securities most commonly traded on the secondary debt market, managed by the Angolan Debt and Stock Exchange (BODIVA), as well as the individual accounts opened at the Central de Central Securities Depository (CEVAMA). Emphasis was also placed on the segment of Collective Investment Schemes, highlighting the gradual and positive evolution of the overall net value of the undertakings incorporated.

In addition, a brief historical summary was made of

the degree of preparation of the CMC for the process of privatization of companies promoted by the Privatization Program (PROPRIV) to be implemented by the government, following the procedures provided for in the Privatization Law, as well as the role of the various stakeholders in the process.

The meeting also focused on the prevention of money laundering and financing of terrorism and proliferation of weapons, the sanctioning process applied by the CMC, as well as the role it has developed in cooperation with the Financial Information Unit (UIF) to ensure a sound management of the risk by the brokers and other actors in the Angolan capital market.

With regard to the sanctioning process, the CMC highlighted the efforts made to encourage compliance with the legal requirements defined in the legislation, bearing in mind that the ultimate use of sanctioning power.

TRAINING AND CAPACITY BUILDING ON SECURITIES AND DERIVATIVES MATTERS



On 27 June, at the headquarters of the National Institute of Judicial Studies (INEJ), the Capital Markets Commission (CMC) held a seminar for the Judiciary and Public Prosecutor’s Office candidates.

The referred seminar is part of CMC’s initiative carried out with the branches that intervene in law and enforcement application process, which the capital market legislation is part of, and in this specific case aimed to enable INEJ trainees to informed on securities market matters and the information duties to which market participants are subject to.

About 70 trainees participated in this training, which gathered knowledge among other fundamental matters on the securities and derivatives market, CMC’s mission and vision, identification and best practices

in the securities market, market crimes, information duties, administrative procedures and related charges, and other activities carried out in this segment in order to strengthen their technical skills to ensure that will can be applied in their future roles. Sebastião Manuel, Acting Director

of the Cooperation Department, opened the session, and during his speech he referred to the participants that the incentive aims to reinforce the objective of enforcement in the capital market and the clarification of doctrinal terminologies is needed.



EGYPT

UPDATE FROM THE FINANCIAL REGULATORY AUTHORITY

FRA ISSUED THE FIRST DETAILED CONSUMER PROTECTION GUIDE IN EGYPT

Within the framework of implementing the comprehensive strategy for developing non-banking financial services sector (2018-2022), especially in its sixth axis on developing governance levels, strengthening regulatory capacities and protecting Consumers' rights, FRA has issued the first detailed Consumer Protection Guide on dealing in Capital market, insurance, private insurance funds and multiple financing activities in Egypt.

Upon approving the issuance of Consumer s Protection Guide by decision No. 446 of 2019, companies and entities operating in non-banking financial activities shall comply with the principles set in the Guide. Also, all necessary measures shall be taken to publish the Guide and inform clients' of their rights and obligations. The Guide shall be published on the home page of company's websites and on their social networking platforms. In addition, companies shall clearly inform its clients on how to obtain and review Consumer Protection Guide issued by FRA in any document that includes the provision of financial service. Moreover, companies shall provide its clients with a printed copy of an explanatory note on the Consumer Protection Guide upon offering any financial, insurance or financing product under FRA's supervision. An information poster of the most important principles stated in the Guide shall be set in the company and its branches and all other places that provide services to the clients.

The Consumer Protection Guide represents a message of awareness and notifying the prospective clients of the basic protection principles, which will be implemented in an intensive communication program, aimed at reaching citizens through mass media, print and digital media to introduce these

principles. The said principles include transparency, fair treatment, risk reduction, dispute resolution, complaints resolution and strengthening trust - in all details of each non-banking financial activity. The Guide also includes company's obligations prior to contracting or benefiting from the service. On the top of these obligations are: honesty upon providing information, access to all information provided to the client, ensure that they understand them clearly, understand how to use financial product or service accurately and correctly. Besides giving advice on not to buy any financial products or services that are not appropriate to their financial situation, as well as their right to obtain copies of contracts and documents after signing them and keeping them in a safe place.

Challenges facing regulatory bodies worldwide reached its peak after it was proved that more than 60% of the world's population used financial technology in their transactions in 2016 - according to the Global System for Mobile Communication. This action increased opportunities for integrating poor and marginalized, moving from the informal financial system to the formal financial system, allowing access to innovative types of financial products and services in a faster and more secure way available for all individuals.

Consumer protection file has become a global trend of great importance within the policies of different countries, in the light of the complexity of financial decisions in the financial markets, which currently characterized by complex financial products, where it is not easy for a large proportion of individuals to recognize its risks. In this respect, one of the priorities of FRA's strategy for the next four years was to urgently seek to develop principles of Consumer protection within the framework of a balanced relationship that provides protection to Consumers in the capital markets, insurance, private insurance

funds and financing activities of various types, providing fair treatment for all clients and enhancing transparency and trust in all financial transactions provided by institutions under FRA's supervision.

The first detailed Consumer Protection Guide in the Egyptian market is consistent with best practices in many countries, international best practices and standards set for Consumer's protection by international financial institutions such as OECD, UNC-TAD and EU and the World Bank Report 2017 on Good practices for financial consumer protection.

For more information on Consumer Protection Guide, please check FRA's website www.fra.gov.eg

FRA ALLOWS BROKERAGE COMPANIES TO BE ENGAGED IN DERIVATIVES TRADING

Within the framework of launching derivatives in Egypt, FRA's BOD approved to grant license for brokerage companies to be engaged in futures after meeting the minimum limit set for issued capital and paid-up capital for both activities (securities brokerage and futures brokerage). In addition to other conditions, including amending the company's statute and submitting a statement that the company opens an account at MCDR for transactions in futures contracts, besides submitting the most recent annual accredited financial statements or subsequent periodic financial statements accompanied by the auditor's report.

In order to activate trading in derivatives, which is the cornerstone for the establishment of futures exchanges, FRA's BOD decision no. 49 of 2019 stipulated the conditions for obtaining a license to engage in futures brokerage. These conditions stated that the company's issued and paid-up capital shall not be less than ten million pounds or the equivalent of foreign currencies. It shall include among its founders' legal persons not less than (50%) of the company's capital, whereas financial institutions shall not be less than (25%) of the capital.

The company shall provide headquarters appropriate to the activity, technical requirements, necessary systems for the company and its branches as well as applications and licensed software. Moreover, the company shall provide the minimum requirements needed for an automated link infrastructure with the

exchange and MCDR in accordance with the technical specifications set by the Stock Exchange and MCDR. Also, the company shall provide systems, applications and licensed software necessary for the operation of various services.

The Board's decision took into consideration corporate governance rules set for brokerage companies upon the formation of the Board of Directors of futures brokerage companies. The majority of Board members shall be non-executive and half of them are independent. In addition, the rules stated that the Board shall be appointed for a period of three years, renewable. Also, the rules stipulated that the Chief Executive Officer (CEO) is assigned to the actual management of the Company.

The decision sets number of conditions to be fulfilled by those applying for the main jobs in the company. The main condition includes the practical experience of not less than five years in a job or work related to the field of capital markets and stock exchanges, it may be deducted to four years if the applicant has specialized studies in the field. On the other hand, the period of practical experience required is increased to seven years for the positions of chief executive and operations manager. The final accreditation of the main posts shall be granted after the candidate has passed FRA's tests.

Companies that are required to obtain a license to engage in futures brokerage shall keep records, documents, accounts and financial statements that show their financial position, clients' financial position, transactions and account opening agreements for a period of five years that is for paper copies or until a final judgment in any lawsuits related to these documents, whichever is more. Also, FRA shall review and examine these documents provided that an electronic copy of all the said documents shall be kept for a period of not less than fifteen years. The company shall pay insurance fees in cash by half of the value of the issued capital.

Futures Brokerage Company shall prepare automated systems necessary to follow up and evaluate collaterals/cash guarantee and the rules of addition to and deduction from it. The company shall re-evaluate the securities by the end of each working day based on the last closing price by comparing the market value with the last quoted closing price on the stock exchange by the end of each working day.

It shall also deposit on behalf of its client the collateral value at MCDR in cash or deducting the amount from its settlement accounts with the clearing bank. In case of a decrease in securities' market value, the company shall complete the percentage of cash guarantee as specified in the contract between it and the client, upon notification thereof from MCDR.

The Company shall enter into a written contract with the client in accordance with the guiding form prepared by FRA in this regard. The contract shall include at least the conditions and cases under which the Company is entitled to ask its client to provide additional guarantees. That is besides procedures that the company may take if the client does not provide guarantees or settle transactions as stipulated in the contract. Also, the contract shall determine the commissions and expenses incurred by the company for implementing these transactions.

Upon signing the contract, the company shall submit a statement that include a definition of futures trading, procedures, benefits, risks and basic provisions. It shall send this statement to each client once a year and immediately after any amendments to the terms of the contract between them.

FRA'S BOD APPROVES A DRAFT LAW ON AMENDING MICROFINANCE LAW TO INCLUDE SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) ALONG TOGETHER WITH MICRO-ENTERPRISES

FRA's BOD approved in its session on 22 May 2019 a draft law on amending the provisions of Law No. (141) of 2014 on regulating microfinance. The new amendment will cover all financing activities granted for micro, small, and medium-sized enterprises (MSMEs). In this respect, this will enable the maximum number of target groups and SMEs to access various means of finance. The draft law was sent to the Prime Minister for its issuance.

The draft law is a step that is taken by the regulator to comprehend the developments revealed by the actual application of the law over the past four years regarding the need to increase finance value granted to clients. In addition, the new amendments will provide a new finance ceiling for another category to facilitate the associations and civil institutions engaged in finance activity in light of the variables witnessed by the Egyptian economy.

The Egyptian constitution issued in 2014 has committed the Egyptian state to protect economic, productive, service and information activities as one of the basic components of the national economy. Since Financing SMEs – is held outside the banking sector- and is not subjected to an integrated legal regulation, besides a large part of it is practiced through informal mechanisms and customary practices that lack the legal basis. Consequently, the national economy loses advantages of efficiency, justice and stability in financing transactions in this field, despite it represents more than 80% of the structure of the Egyptian economy and 99% of private agricultural sector in Egypt.

The new draft law will enable the maximum number of target groups and SMEs to access various means of finance, in a move to attract hundreds of thousands of jobs annually which contributes to the elimination of unemployment. On the other hand, the draft law regulates the work of entities granting finance, reduces risks, encourages the expansion of this activity and protects the rights of beneficiaries through putting microfinance entities under a strict regulatory system, pursuant to the best international practices in this regard.

The draft law's legal framework includes an amendment to Microfinance Law to regulate SME finance along with microfinance activities in terms of rules and regulations set for the companies to practice both activities in a manner that achieves flexibility and ease of application. That is in addition to the possibility to amend and develop these rules in accordance with the needs of the industry and its development. The project also emphasizes that MSME finance is one of the non-banking financial tools and then subjected to the provisions of Law No. (10) of 2009.

It is worth mentioning that the draft law has witnessed several sessions of community dialogue in the past period with representatives of financial institutions operating in SME finance, the Micro, Small and Medium Enterprises Development Agency (MSMEDA), the Egyptian Union of Microfinance as well as companies and associations licensed to engage in microfinance activity.

FRA BECOMES A MEMBER OF THE INTERNATIONAL NETWORK OF FINANCIAL CENTRES FOR SUSTAINABILITY (FC4S NETWORK)

In an important step towards settling green economy within the Egyptian economy, the International Network of Financial Centres for Sustainability (FC4S Network) has accepted FRA to be a member of its network. In this respect, the non-banking financial sector in Egypt can achieve the first steps to establish Regional Financial Center for Sustainability in Cairo.

The Egyptian economy gains a foothold within the International Network of Financial Centres for Sustainability (FC4S Network). The (FC4S Network) is a global investment platform and the core building of a financial system based on sustainability and trusted by policy makers and investment decision makers in the world.

Joining the (FC4S Network) and collaborating with all international organizations concerned with sustainability is one of the pillars of FRA's comprehensive strategy to support the sustainable economy. Hence, FRA will become the lighthouse of sustainability in the Egyptian non-banking financial sector. FRA has a clear and specific strategic objective of "contributing to sustainable development" and is working to achieve this objective through several axes, including raising awareness of the importance of sustainable development principles and how to integrate them into the operating systems of non-banking financial institutions. Besides, encouraging those institutions to switch to green finance and adopting conservation and natural life policies for a better world.

Accepting the Egyptian Regulator's membership reflects the appreciation of the steps taken by the Egyptian State, represented by FRA, to raise awareness of the importance of sustainability and its positive impact on economic growth while preserving the environment. He adds that by joining the (FC4S Network) Cairo will be the gateway to investment for this kind of economy within Africa, after the global investments for sustainable development last year reached nearly 70 trillion US dollars.

In a related context, Stephen Nolan - Managing Director - UN Environment Financial Centres for Sustainability Network and representative of the UN Environment Programme (UNEP) welcomed FRA's membership of the (FC4S Network). He praised FRA's participation in the regional and global activities of the Network starting in 2019 and being en-

gaged with other financial centers in various African countries to explore the potential of establishing a regional network platform in Africa. Moreover, he appreciated FRA's participation in network meetings, including closed-door meetings and the day devoted to the study of increasing sustainable finance within / to African countries. He also praised FRA's determination to put green and sustainable finance in Egypt as a strategic priority.

It is worth mentioning that the FC4S Network was launched in September 2017, as a partnership between the International Financial Centers and the United Nations Environment Program (UNEP). Currently, more than 20 international financial centers are members of the organization.

This initiative focuses on how to create a financial system that integrates sustainability into its operations, which will lead to a flow of resources towards more inclusive and sustainable activities. The FC4S Network aims at discussing proposals and identifying priorities that can be used by all stakeholders in the financial sector, leading to policy coherence among different capitals, financial centers, governments, central banks, financial regulators and participants from the private financial sector to take serious and progressive steps towards activating green and sustainable finance.

Finally, by FRA's membership of the FC4S Network, the Egyptian market will be in the forefront of Arab and African markets that joined the Network.

FRA GRANTS THE FIRST SHORT SELLING LICENSE

Within the framework of the FRA's efforts to activate what is known as Short Selling in order to raise trade volumes and values in the Egyptian market and increase the stock market's liquidity, FRA issued decision No. 684 of 2109 regarding granting license to Arqaam Securities Brokerage to short sell.

It is expected that technology structure required for activating this mechanism will be finalized in MCDR, brokerage firms and custodians soon. Short selling is a transaction in which the seller does not actually own the stock that is being sold but borrows it from the broker-dealer through which he or she is placing the sell order. The seller then has the obligation to buy back the stock at some point in the future, thereby making profits from the difference

in selling prices and purchasing prices. It is worth mentioning that last February, FRA's Chairman issued a regulatory decision no. (268) of 2019 on short selling rules to activate the mechanism. On the other

hand, the Egyptian Stock Exchange and MCDR shall prepare and equip the automated systems and technical requirements and notify the Authority before activating short selling mechanism.



JORDAN

UPDATE FROM THE JORDAN SECURITIES COMMISSION

ARAB AND INTERNATIONAL COOPERATION

The JSC is an ordinary member of the International Organization of Securities Commissions (IOSCO). It has occupied the position of the Vice Chairman of the Emerging Markets Committee (EMC) and the membership of the Executive Committee (EX-COM) from 2002-2008. It is currently a member of the Africa and Middle East Regional Committee in addition to other committees and task forces in the organization. The JSC is also a member of the Union of Arab Securities Commissions. The JSC hosted the IOSCO 29th Annual Conference in May 2004. In February 2008, it has become a signatory to the IOSCO Multilateral Memorandum of Understanding (MOU). Moreover, the JSC has signed a number of cooperation agreements and MOUs with Arab and international counterparts including Iraqi Securities Commission, Dubai Financial Services Authority, Abu Dhabi Global Market, Yemen, South Africa, Palestine, Ukraine, Oman, Bahrain, Kuwait, Egypt, Emirates, Qatar, Malaysia, Romania, China, Taiwan, New Zealand and the Maldives.

The JSC signed a MOU with the Palestine Capital Market Authority on 01 February 2018 to enhance the protection of investors and joint cooperation and coordination for the development and regulation of capital markets.

THE JSC IS A SIGNATORY TO THE MULTILATERAL IOSCO MEMORANDUM OF UNDERSTANDING (IOSCO MMOU)

One of the important achievements and developments related to the JSC's relations with IOSCO and its presence on the international level was the notification of the JSC by the IOSCO committee concerned, that it has fulfilled all conditions and standards to qualify to be a signatory to the IOSCO MMoU. The final approval by the higher committee concerned of the IOSCO was granted in February

2008. The IOSCO MMoU is an international memorandum of understanding prepared by IOSCO that defines the framework for cooperation and information exchange between regulators according to defined standards and principles that depend on international standards. It aims at achieving compliance with legislation in force in the markets of member countries, protect investors, enhance disclosure and transparency, and prohibit illegal practices and financial crimes in the international markets.

The admission of the JSC to become a signatory to the MMoU is considered to be an important achievement and an indicator of the JSC's compliance with international standards in adopting legislation and regulatory frameworks in the capital market. This reflects positively on the level of confidence in the national capital market and in the legislative and regulatory frameworks, and enhances the JSC's standing on the international level. Joining the signatories to the MMoU is one of indicators adopted by international institutions especially the World Bank and the International Monetary Fund of the extent of compliance with international standards as part of the Financial Sector Assessment Program (FSAP).

MOUS SIGNED WITH THE CENTRAL BANK AND THE COMPANIES CONTROLLER DEPARTMENT

Two MOUs were signed with the Central Bank of Jordan and the Companies Control Department that focused on coordination and cooperation between the Commission and each of its counterpart organizations to achieve their objectives and perform their regulatory and supervisory functions in accordance with laws that regulate their work and define their duties and responsibilities.

FINANCIAL SECTOR ASSESSMENT PROGRAM (FSAP)

The Jordan capital market regulatory framework was assessed twice, for its observance of the IOSCO Principles by a joint IMF-WB FSAP mission. The assessment concluded that there is an appropriate and effective regulatory framework within which the securities market operates, identified certain gaps and areas where further improvements need to be made, and reached a number of recommendations to enable the JSC to achieve full implementation of the IOSCO principles. The regulatory framework has undergone major developments. Certain reforms were implemented and a number of regulations were issued and others amended, taking into account the FSAP recommendations.

ELECTRONIC DISCLOSURE USING EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL)

With the view to strengthen the regulatory and supervisory role of the JSC and enhance the levels of disclosure and transparency in the market, to achieve fairness and integrity and prevent the conflict of interest, the JSC in cooperation with the ASE has placed a tender of the project of the electronic disclosure using Extensible Business Reporting Language (XBRL), which is an international advanced language for disclosure. The application of this system shall facilitate and speed up the process of disclosure of data and the financial and nonfinancial information of the issuing entities in Arabic and in English. Financial models and taxonomies of financial statements were created for all sectors of public shareholding companies in cooperation with the big four audit firms. Fifteen models and classifications were prepared, which were characterized by the comprehensiveness of financial items and their similarity to the reality of financial statements of Jordanian public shareholding companies. They also provided all the principal financial statements and financial clarifications in an electronic format that is capable of being analyzed and processed. These models are in line with the International Financial Reporting Standards (IRFS). The system is expected to be launched during the second half of this year.

Mutual Funds

Mutual Funds Regulation defined the conditions and procedures for the establishment of mutual funds, their activities, and the obligations of these funds. Currently, two open-end Jordanian mutual funds are registered with the JSC: the Fund of the Housing

Bank for Trade, and Horizon Fund –Capital Bank. Since these mutual funds are open-end funds, they are registered with the JSC, but they are not listed on the ASE. Their investment units are traded through a direct relationship between the investor and the fund. The fund issues any number of investment units to investors who wish to buy, and it remains ready to redeem any number of these units that investors wish to sell. Investment units of mutual funds are traded on the basis of the fund's net assets value on the date of sale or purchase.

New regulation concerning mutual funds was issued in September 2018, according to this regulation the funds are required to submit their periodic financial statements to the JSC and to declare their net assets value at least once every month for close- end funds or as set out in prospectus for open-end funds to enable investors to monitor their performance continuously and to make their investment decisions accordingly. The amendments on the new Securities Law restored the contractual mutual fund pattern that was operative in the previous Securities Law (No. 27 of the year 1997), and also include the legal basis for the establishment of other types of mutual investment funds such as Exchange Traded Funds (ETFs) in order to keep pace with market needs and international practices

Corporate Governance

The World Bank has publicly announced on its website and during the regional seminar on Corporate Governance held in Amman on 14 February 2005, the results reached by the Corporate Governance Assessment Report prepared by the Bank. The Report assessed Jordan's corporate governance regulatory framework and practices with regard to listed companies on the ASE, against the Organization of Economic Cooperation and Development (OECD) Corporate Governance Principles. The Report came as a result of the JSC's request from the World Bank to conduct the assessment.

The Report indicated that Jordan's Corporate Governance framework compares well in many areas and the Principles are broadly implemented. It also stated that the level of implementation was above the international average. The Report attributed this level of implementation to a number of factors including the significant progress in the regulatory and organizational environment in the capital market, the

considerable use of the JSC's powers granted by the Securities Law, and the advanced disclosure practices in the capital market since the disclosure system imposed by the JSC and capital market institutions complies fully with international standards including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The JSC has issued a Corporate Governance Code for Listed Companies at the ASE in July 2008. The Code came into effect on 01 January 2009. The main features of the Code are:

1. The Code contains mandatory requirements based on existing legislation and additional requirements based on international standards and best practices which companies must either comply with or explain their noncompliance.
2. The Code introduced a number of new concepts that were not provided for in any of the legislations in force. Among these concepts are the independent member of the board of the shareholding company, the recommendation to adopt the cumulative vote in board elections mainly to enhance the protection of minority shareholders, and the concepts of stakeholders and disclosure of related party transactions.
3. Prohibiting the chairman of the board from occupying any executive position in the company.
4. Requiring the board to form permanent committees, which are the audit committee, and the nominations and compensations committee.
5. Stating clearly the board of directors' duties and responsibilities. Directors are required to exercise their duties in due diligence, honesty, loyalty, and transparency, and devote the time needed.
6. Shareholders have the right to access the company's books, records, information, and documents in accordance with regulations in force.
7. The partner at the external auditor may not audit the company's accounts for longer than four consecutive years.
8. The board of directors is encouraged to enact procedures that prevent company insiders from utilizing nonpublic information to make financial or moral gains.

9. The Code recommends that companies should not introduce during the general assembly meeting any new item that is not listed on the agenda sent to shareholders before the meeting.

10. The company's shareholders have priority in subscription for any new issuance before they are offered to other investors.

11. Companies are encouraged to use their web sites to disclose information to enhance disclosure and transparency.

12. Granting shareholders the choice of resorting to alternative methods of dispute settlement such as arbitration or mediation, or taking legal action in court against board members if they committed certain offences.

13. Listed companies are required to comply with the International Financial Reporting Standards (IFRS).

With the aim to enhance corporate governance and update the Code to be in line with the OECD Corporate Governance Principles for the year 2015, the JSC issued Corporate Governance Instructions for Listed Companies on 22, May 2017. The main features of the amendments are the following:

- The Instructions are mandatory ones.
- Requiring the companies' boards of directors to form new committees namely: Corporate Governance Committee, and the Risk Committee.
- Requiring members of the company's board of directors to join a specialized course in corporate governance.
- The company must provide the JSC with a corporate governance report attached to the annual report of the company indicating the extent of compliance with Corporate Governance Instructions.
- The company's board of directors and the general assembly must approve related parties transactions constituting 5% of the company's assets.

In light of the application of these Instructions, the ranking of Jordan under Minority Shareholders Rights in Doing Business Report issued by the

World Bank has improved by gaining 40 positions within one year according to Doing Business Reports of 2018 and 2019.

TRANSFERRING AUTHORITY OF REGULATING TRADED SHAREHOLDING COMPANIES

The new Securities Law provided that the authority of regulating traded shareholding companies shall be transferred to the JSC.

Currently a joint effort between the Companies Control Department (CCD) and JSC is being made to move regulatory authority on shareholding companies to be under one umbrella which is the JSC.

The Board of Commissioners of JSC approved on 6, December 2018 a draft regulation governing the transference of this authority. The draft regulation was sent to the Prime Ministry on 12 December 2018, and It is currently being reviewed and discussed by the Legislation and Opinion Bureau at the Prime Ministry.

BONDS AND SUKUK

Efforts are being exerted by the JSC in cooperation with a number of local and international parties with the aim to deepen and encourage bonds and fixed income instruments, and enhance awareness in this regard. A Memorandum of Understanding (MoU) has been signed with the Central Bank of Jordan (CBJ) aiming at enhancing cooperation and coordination in areas of common interest among which is the development of bonds market.

A number of educational and awareness seminars and workshops have been organized to related parties in this connection. A Committee was established at the JSC in order to set regulations governing Islamic Finance instruments (Sukuk). The JSC was a member of a committee formed by the Government entitled to draft an Islamic Sukuk law.

- The Sukuk Law was passed and issued on the 19th of September 2012. In light of issuance of the Law, a specialized committee (Sukuk Committee) was formed at JSC entitled to draft regulations and directives governing the issuance and dealing in Sukuk.

As requested by the Law:

- Four new commissioners specialized in Sharia (Is-

lamic Law) and Islamic Economics were appointed on the JSC's Board of Commissioners.

-The Sharia Central Committee was formed comprised of five members specialized in Islamic Finance.

- Three specialized persons in securities were appointed to take part as observers in the Sharia Central Committee meetings.

The Sukuk Committee that was established at the JSC in order to draft the legislatives that regulate Islamic finance tools (Sukuk) has finalized all the legislations related to issuing Sukuk in Jordan.

CAPITAL MARKET STRATEGY AND ROADMAP FOR JORDAN

The Capital Market Development Strategy and Roadmap document for Jordan was prepared in cooperation with the European Bank for Reconstruction and Development (EBRD). The document was launched and presented at a discussion seminar held under the patronage of Jordan's Prime Minister on 13 December 2016. The Strategy and Roadmap aims at upgrading the capital market regulatory and technical frameworks and achieve the following seven strategic goals:

1. Increasing Investor Interest
2. Making the Market More Attractive to Issuers
3. Reorienting the Infrastructure Institutions as Private Sector Operations
4. Making the Securities Industry More Competitive
5. Strengthening the JSC
6. Creating More Attractive Investment Products
7. Outreach and Education for Investors and Issuers.

A higher committee was formed by a decision of the Prime Minister to follow up the implantation of the Roadmap recommendations. The JSC has started implementation of the Roadmap recommendations.

DEMUTUALIZATION OF AMMAN STOCK EXCHANGE

A decision was taken by the Council of Ministers to restructure and demutualize the ASE. The ASE was transformed to a Public shareholding company fully owned by the government on 20 February 2017. A number of Committees were formed to execute the decision. The shares of the ASE will be partly offered to the public in the second phase of the transformation of the ASE.

JORDAN RECEIVES THE PRESIDENCY OF THE UNION OF ARAB SECURITIES AUTHORITIES

The Jordan Securities Commission received the presidency of the Union of Arab Securities Authorities during the 13th meeting of the union which took place in Amman, Jordan on the 27 March, 2019.

RECENT LEGISLATIVE & TECHNICAL DEVELOPMENTS

1. LEGISLATIVE DEVELOPMENTS

A new Securities Law was endorsed on 16/5/2017. The new Law aims to enhance the JSC's supervisory role and investor protection, and deepen the depth and width of the market.

The main features of the Law include:

- Restoring the contractual mutual fund pattern that was operative in the previous Securities Law (No. 27 of the year 1997).
- The legal basis for the establishment of other types of mutual investment funds such as Exchange Traded Funds (ETFs) in order to keep pace with market needs and international practices.
- Setting the legal reference to grant the JSC's Board of Commissioners the authority to issue mandatory corporate governance rules.

In addition to the above mentioned, the JSC has issued and amended recently a number of new regulations & procedures which included the Commission's Fees Regulation, Bases of Measures Against the Violators of any of the Provisions of the Securities Law and the Legislation and Decisions Issued pursuant thereto, Bases of Financial Services Companies Ownership of Real State, Bases of FinTech Regula-

tory Laboratory, Bases for Natural Persons Registration to Perform Financial Services Activities, Regulation of Investors Protection Fund, Mutual Funds Regulation, Instructions of Anti Money Laundering and Counter Terrorist Financing, Instructions of Issuing Companies Disclosure, Instructions of Margin Financing, Guiding Principles for Opening Branches of Financial Services Companies, Regulations of Licensing and Registration, Instructions of Accounting and Auditing Standards, Instructions of Regulating the Operations of Selling Securities Implemented According to the Decisions of Courts and Official Entities, Instructions of Treasury Shares, Instructions on Brokers Account Segregation, Instructions of Risk Centralization, Qualifications of the External Auditors, Instructions of Corporate Governance, the JSC employees securities dealing activities, Instructions Governing Depository Receipts, Instructions of Lending and Borrowing and short selling, and Instructions Regulating Trading of Financial Services Companies in Foreign Exchanges.

Moreover, the JSC is working on drafting and amending several instructions and regulations stipulated by the Securities Law for the year 2017 most notably: Instructions of Marketing Foreign Securities, Instructions of Dealing with Subscription Rights, Regulation of Criteria for Solvency of Brokerage Companies, Instructions of Licensing and Registration, and Instructions of Licensing Securities Trading Market.

2. TECHNICAL DEVELOPMENTS

The JSC cooperates continuously with capital market institutions to develop and upgrade various electronic systems to enhance efficiency and improve services. Major developments in this connection include:

1. Introducing an electronic disclosure system using the Extensible Business Reporting Language (XBRL system). This system will enable issuing companies to meet the disclosure requirements electronically and on a timely basis.
2. Launching the JSC website in a manner that would provide investors and capital market stakeholders with necessary information and provide electronic services to users.

3. Developing an MIS system to enhance network-connection between the various departments at the JSC, thus facilitating report preparation.
4. Implementation of the JSC's Internal Computer Network (local area network-LAN) to enhance the Commission's capability of sustaining its electronic services with high efficiency.
5. Applying the Work Flow System Automation to automate the JSC's internal work flow and to inter-connect the Commission's various departments.
6. Developing a system that will allow the electronic filing of any violations that a listed company committed and any action taken by JSC in regard to it.
7. Upgrading local area networking by providing JSC employee and guests with Wi-Fi connection.
8. Launching a new mobile application which provides investors with flexibility and mobility when accessing any information needed such as disclosures of public shareholding companies, latest news, Board of Commissioners decisions, regulations and legislation, as well as other interactive services, including suggestions, complaints and requests for information. The application is available for both IOS and Android users which can be downloaded through App Store or Google Play.

ADDRESSING CHALLENGES

The JSC is addressing current challenges confronting the capital market as follows:

1. Executing the actions and recommendations of the JSC's Strategic Plan, the Roadmap, and other strategies
2. Keeping up with international regulatory and legislative developments
3. Implementing international standards and sound regulations
4. Enhancing good corporate governance practices, transparency, and disclosure
5. Enhancing inspection and enforcement
6. Maintaining proper risk management procedures
7. Promoting the establishment of mutual funds, and developing regulations of various collective investment schemes
8. Enhancing surveillance capacity over trading by utilizing a new electronic surveillance system
9. Regulating the listing of private companies
10. Raising public awareness and education
11. Training programs for capital market staffs



KUWAIT

UPDATE FROM CAPITAL MARKETS AUTHORITY

MSCI INDEX UPDATE

On 25 June, 2019, MSCI announced the conditional reclassification of the Kuwaiti market to Emerging Market. The reclassification is subject to the availability of the omnibus account structures and the National Investor Number (NIN) cross trades being made available for international institutional investors before the end of November 2019.

RECENT REGULATORY DEVELOPMENTS

During second quarter of 2019, the Capital Markets Authority of Kuwait (CMA) has reviewed the

following key regulatory developments issued in the capital markets field:

1. Resolution No. (47) of 2019 Regarding Amending Some Provisions of Module Nine (Mergers and Acquisitions) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments, issued 2 April 2019:

The CMA amended the provision related to the suspension of shares of an offeree company during trading sessions and set out the cases upon which this provision would be triggered.

2. Resolution No. (58) of 2019 Regarding Amending Some Provisions of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments, issued 23 April 2019:

The amendments in this resolution were related to the regulation and supervision of auditors in the CMA. Provisions of Module One (Glossary), Module Five (Securities Activities and Registered Persons) and Module Seven (Clients' Funds and Clients' Assets) of the aforementioned Executive Bylaws were amended, along with the related appendices.

3. Resolution No. (59) of 2019 Regarding Amending the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments Relevant to the Launch of the First Batch of the Third Phase of Market Development Project (MD-3.1), issued 25 April 2019:

Module One (Glossary), Module Four (Securities Exchanges and Clearing Agencies), Module Nine (Mergers and Acquisitions), Module Eleven (Dealing in Securities), Module Twelve (Listing Rules) and Module Thirteen (Collective Investment Schemes) of the aforementioned Executive Bylaws were amended in line

with one of the key strategic projects currently underway by the CMA, Phase 3 of the Market Development Project.

4. Resolution No. (90) of 2019 Regarding Amending Some Provisions of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments, issued 26 May 2019:

The CMA through this amendment eased the provisions related to default events, including a chapter dedicated to regulating this.

5. Resolution No. (96) of 2019 Regarding Amending Some Provisions of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments, issued 29 May 2019:

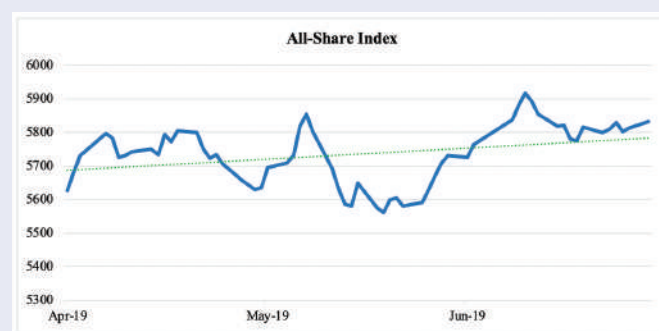
In line with World Bank recommendations, the CMA amended certain provisions in Module 15 dedicated

to corporate governance.

BOURSA KUWAIT PERFORMANCE – SECOND QUARTER 2019

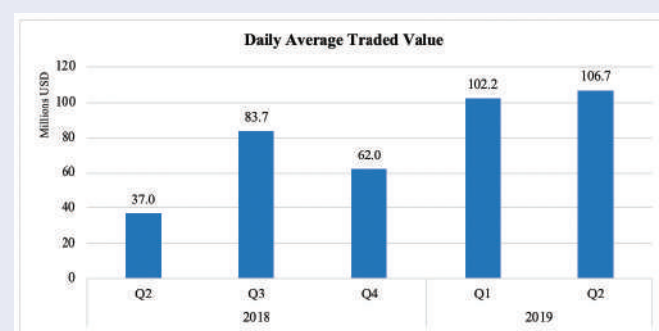
INDEX PERFORMANCE

As shown in the chart below, at the end of the second Quarter the Bursa Kuwait All-Share index closed at 5832.1 increased by 214.3 points, with a change of 3.8% compared to the value of index at the end of March 2019. Moreover, the Bursa Kuwait Premier Market index closed at 6377 increased by 390.2 points, with a change of 6.1% compared to the value of index at the end of March 2019, and the Bursa Kuwait Main Market index closed at 4766.5 decreased by 150.8 points, with a change of -3.2% compared to the value of index at the end of March 2019.



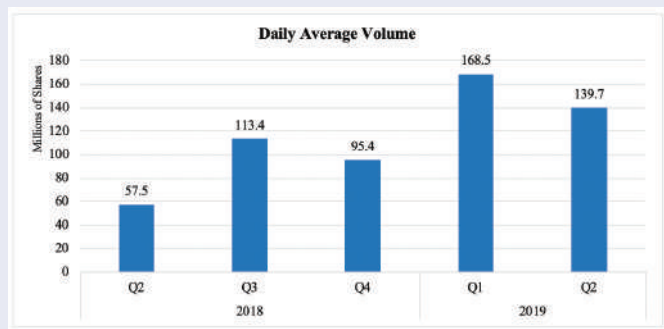
DAILY AVERAGE TRADED VALUE

Daily Average Traded Value reached 107 million USD at the end of the second Quarter of 2019 an increase of 188% from the second Quarter 2018.



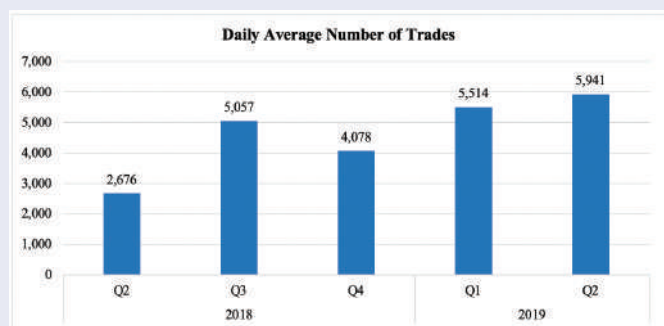
DAILY AVERAGE TRADING VOLUME

Daily Average Trading Volume reached 140 million shares at the end of the second Quarter of 2019 an increase of 143% from the second Quarter 2018.



DAILY AVERAGE NUMBER OF TRADES

Daily Average Number of Trades reached 5,941 trades at the end of the second Quarter of 2019 an increase of 122% from the second Quarter 2018.



MARKET CAPITALIZATION

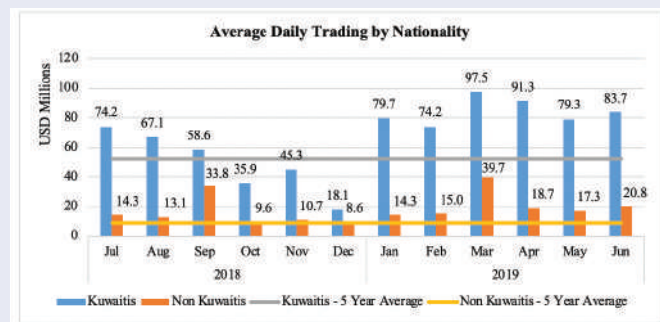
Total Market Capitalization for all companies listed in Boursa Kuwait at the end for the second Quarter 2019 was 109 Billion USD, with an increase of 20.1% compared to the end of the second Quarter 2018.



TRADING BY NATIONALITY

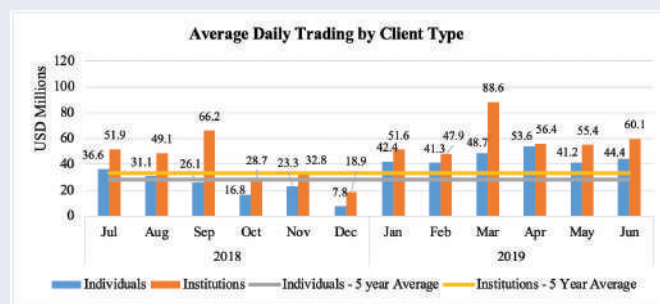
By the end of the second Quarter 2019 total Non-Kuwaiti trading for the Quarter reached 1.19 billion USD with a daily average of 19.6 million USD compared to 494 million USD with a daily average of 8 million USD during the second Quarter 2018, an increase of 142%. Non-Kuwaiti trading remained

above the 5 Year Average of 9.4 million USD for the second consecutive Quarter reflecting the effect of the inflows related to Kuwait’s inclusion into the FTSE Emerging Markets Index, and the degree by which those inflows changed the composition of the market.



TRADING BY CLIENT TYPE

By the end of the second Quarter 2019 total Institutional trading for the Quarter reached 3.61 billion USD with a daily average of 59.2 million USD compared to 1.54 billion USD during the second Quarter 2018 with a daily average of 24.9 million USD, an increase of 134%. This reflects the increased sophistication of the market due to the introduction of more funds that track the major emerging markets indices.





KENYA

UPDATE FROM THE CAPITAL MARKETS AUTHORITY

CMA SIGNS MEMORANDUM OF UNDERSTANDING WITH KAM

On 27 June 2019, the Capital Markets Authority (CMA) signed a Memorandum of Understanding (MoU) with the Kenya Association of Manufacturers (KAM) to promote the growth and development of the manufacturing sector through the capital markets, in line with the national development priorities and Sustainable Development Goals. Through the MoU, the Authority and KAM will collaborate to identify and analyze funding and investment opportunities, institutional challenges and key impediments in the manufacturing sector and recommend best reform approaches. The agreement also sets the stage for policy formulation and product development aimed at supporting the attainment of the “Big 4” Agenda for the manufacturing sector through the capital markets industry.

Further, the partnership will enhance the Authority’s ability to examine the strategies necessary to create a pipeline of targeted issuers of traditional and new capital market products to support manufacturing. Amongst the initiatives will be the review and possible revision of existing eligibility and disclosure requirements to attract large and private companies & small and medium enterprises (SMEs).



Capital Markets Authority (CMA) Chief Executive Paul Muthaura, MBS (Left) together with the Kenya Association of Manufacturers (KAM) CEO Phyllis Wakiaga during the signing of a Memorandum of Understanding (MoU) between the two organizations at the KAM offices in Westlands, Nairobi on 27 June, 2019.

This collaboration also comes at a time when manufacturing has been identified as a key pillar in the economic agenda of the country and will be a catalyst towards increasing the GDP Contribution of the sector from 7.7% to 15% by the year 2022. Further, this is anticipated to prop up manufacturing sector activity and participation in the capital markets, in line with the “Big 4” Agenda national development priority on Manufacturing.

In line with the CMA Strategic Plan, products such as project bonds, private equity, fintech and initial public offerings can be leveraged to develop the manufacturing sector at national and county level. This will accelerate economic growth, create jobs and reduce poverty.

REGULATORY SANDBOX PROJECT UPDATE

As a strategy aimed at leveraging on Financial Technology (FinTech) to drive the capital markets value chain, the Authority’s board on 26 March 2019 approved the Regulatory Sandbox Policy Guidance Note (PGN). This will facilitate the implementation of a Regulatory Sandbox Framework that will allow firms to test innovative products, solutions and services that have the potential to deepen or broaden Kenya’s capital markets in a live environment. To date, three intech firms have been admitted to the Regulatory Sandbox to test their innovations.

FINANCIAL REPORTING (FiRe) AWARD 2019 LAUNCH

The promoters of FiRe Award (Excellence in Financial Reporting Award) have announced the launch of the 2019 edition, with this year’s event focusing on enhancing confidence by deepening best corporate governance practices in the region. The promoters of the FiRe Award include the Public Sector Accounting Standards Board (PSASB), Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE) and the Institute of Certified Public Accountants of Kenya (ICPAK). The event themed “**Enhancing corporate value through excellence in financial reporting for cross-border trade and investment facilitation in East Africa and beyond**” comes on the back of a keener focus on regional trade and in-

vestment. The continued participation of the public sector is key in improving reporting and corporate governance practices in the sector, which is expected to inspire more confidence in public sector entities in Kenya. The public sector participation follows the adoption of the International Public Sector Accounting Standards as the reporting framework in Kenya in 2014.

The coveted FiRe Award is in its eighteenth year since it was launched in 2002. The public sector entities expected to participate in the 2019 FiRe Award will include; Ministries, Departments and Agencies, State Corporations, Semi-Autonomous Government Agencies and the County Governments. The award ceremony of FiRe Award 2019 will be held on 08 November 2019 in Nairobi. It will be preceded by a conference to engage key stakeholders on topical issues, which will be held on 07 November 2019.

HYBRID BOND MARKET PROJECT IMPLEMENTATION

The National Treasury & Planning set priorities for development of an efficient primary and secondary market for Government bonds by undertaking to introduce several reforms including the establishment of an efficient and transparent OTC bond market. This is key in achieving the Capital Market Master Plan aspirations to transform Kenya into the ultimate choice market for domestic, regional and international issuers and investors looking to invest and realize their investments in Kenya, within East Africa and across Central Africa by 2023.

Accordingly, the Authority has been actively implementing key strategies to establish a transparent and efficient OTC debt market in coordination with the Bond Market Steering Committee (BMSC), which brings together bond-market policy makers and industry players. Further, the Authority on-boarded Consultants from FDHL-Salonica Consortium to support the Capital Markets in actualizing the hybrid bond market model. The consultants held a 3-day validation workshop with key industry players on 24 - 26 April 2019. Consequently, the consultants developed a report on licensing requirements for the market organizer as well as trade reporting system specifications.

SEC ZIMBABWE STUDY TOUR

CMA received two staff from the Securities and Exchange Commission (SEC), Zimbabwe ICT Department for a four-day study tour 3 - 7 June, 2019. The study tour followed a request from SEC to gain understanding of the CMA Kenya Risk-Based Supervision System as they seek to implement a Regulatory Portal that has inbuilt risk management features. The main aim of the study tour was to develop a deeper understanding on how to implement a Regulatory Portal that incorporates Licensing & Approvals, Investigation & Enforcement, Business Intelligence Reporting and Cyber Risk Management (Security).

CAPACITY BUILDING FOR MARKET SURVEILLANCE, INVESTIGATIONS AND ENFORCEMENT STAFF BY DFSA

The Authority facilitated a corporate training on market surveillance, investigations and enforcement for twenty-five staff members from various departments in the month of April 2019 by Dubai Financial Services Authority (DFSA). This is in line with Capital Market Master Plan objective of deepening the market by introduction of new products and services. The need to maintain soundness and integrity of the market necessitates a proactive approach in addressing the new risks associated with the introduction of the new products. The Authority engaged the Dubai Financial Services Authority who were happy to share their experiences with CMA Kenya. The facilitator Mr. Frank Boom has long-standing experience in Europe and the Middle East on running enforcement and surveillance programs. He is currently responsible for the market surveillance function at DFSA.

1 LEGISLATION AND REGULATORY AMENDMENTS

1.1 THE WAREHOUSE RECEIPT SYSTEM ACT, 2019

The development of the policy and legal framework for warehouse receipts has been on Kenya's legislative agenda for close to ten years. In June 2019, the President signed into law the Warehouse Receipt System Bill, 2018. The Act provides for the legal framework for the development and regulation of warehouse receipt system for agricultural commodities.

The Act establishes the Warehouse Receipt System Council to regulate the issuance and negotiation of warehouse receipts while the county governments have the mandate of licensing warehouse operators

who will be issuing the warehouse receipts.

This framework is linked to the Authority's mandate of licensing and regulating commodities exchanges as provided for in the Capital Markets Act. The warehouse receipts for agricultural commodities once issued, will be eligible for trading at the commodities exchange. The draft Capital Market (Commodity Markets) Regulations, 2019, once finalized and gazetted will complement the warehouse receipt system through providing a regulatory framework for the trading of such receipts. The Warehouse Receipt System Regulations, 2019 are now being finalized for Gazettement.

1.2 DRAFT CAPITAL MARKETS (COMMODITY MARKETS) REGULATIONS, 2019

The Capital Markets Act was amended in 2016 to provide the legal framework for the regulation of commodity exchanges, with the Authority empowered to regulate such exchanges. In order to provide a comprehensive regulatory framework for commodity markets, the Capital Markets (Commodity Markets) Regulations, were drafted and are now undergoing public consultation process.

The draft regulations provide for the licensing of commodity exchanges and commodity brokers and the requirements for the conduct of commodity exchange business. Countrywide stakeholder consultations on the regulations were done in June 2019 and the regulations are now being progressed for approval and Gazettement.

2 INVESTIGATIONS AND ENFORCEMENT

2.1 INVESTIGATIONS ON KENOLKOBIL INSIDER TRADING

On 24 October 2018, The Capital Markets Authority (CMA) received a Notice of Intention by Rubis Énergie to make a cash offer (the Offer) to acquire 100% of the ordinary share capital of KenolKobil Plc not already legally or beneficially owned by Rubis Énergie (Notice of Intention) pursuant to Regulation 4(3) of the Capital Markets (Take-overs & Mergers) Regulations, 2002 (the Take-over Regulations). Through its market surveillance, the Authority identified potentially irregular trading of the KenolKobil counter in the run up to the issue of the Notice of Intention by Rubis Énergie. Consequently, in con-

nection with these investigations the Authority instructed the Central Depository and Settlement Corporation to freeze the suspected 14 accounts to allow for the conduct of the necessary inquiries.

Upon conclusion of its investigations, the CMA secured the surrender of potentially illegal gains amounting to Kshs477 million. The recovered funds were paid into the Investor Compensation Fund managed by the Authority.

The investigations established that a number of investors had been advised and encouraged to trade based on what may have constituted material price sensitive non-public information resulting in trades in KenolKobil shares before the 24 October 2018 announcement by Rubis Energie of their intention to take over 100 percent ordinary share capital of Kenol Kobil Plc at a premium. The investigations relating to the balance of the accounts flagged in connection with suspicious trading activities are ongoing.

Further, upon review of the investigation findings and recommendations, the CMA Board resolved to initiate enforcement proceedings against individuals suspected to have disclosed material price sensitive non-public information to the traders who transacted the irregular trade on the KenolKobil counter towards the run up to the issue of the Notice of Intention by Rubis Énergie.

Upon review of the formal response to the Notice To Show Cause, the CMA Board cleared Mr. Charles Field-Marsham (Chairman Kestrel Capital East Africa Ltd) of potential liability for insider dealing; and further resolved to form an Adhoc Board Committee that incorporated independent members alongside board members to conduct enforcement hearings in respect to Mr. Andre DeSimone (former CEO and Executive Director Kestrel Capital (East Africa) Ltd, Mr. Aly Khan Satchu and Mr. Kunal Bid (both stock-broking agents of Kestrel Capital (East Africa) Ltd) for their involvement in insider trading on Kenol Kobil Plc shares in the period before the takeover announcement was made public in October 2018.

The hearings were convened in exercise of the NTSC recipients' right to be heard in accordance with Section 26(8) of the Capital Markets Act and Section 4 of the Fair Administrative Actions Act.

The Committee, in reaching their determination, considered the written and oral submissions made by the NTSC recipients and the evidence presented by the Authority found that the NTSC recipients were culpable for insider trading. The findings of the Committee have been notified to the respective NTSC recipients.

The Committee established that Mr. Andre DeSimone disclosed price sensitive material non-public information on the Kenol Kobil transaction on the sale of the 24.99% Wells Petroleum shareholding in KenolKobil to Rubis Energie SAS (Rubis) and the impending takeover of Kenol Kobil Plc by Rubis to the two identified stockbroking agents, Mr Aly Khan Satchu and Mr. Kunal Bid, otherwise than in the proper performance of his functions. The two stock broking agents thereafter used the insider information to deal in the price affected shares by advising and/or buying on behalf of their various clients approximately 59 million KenolKobil shares in the week before the takeover announcement was made on 24th October 2018, contrary to the provisions of Section 32 B (1)(a) and (b) of the Capital Markets Act.

The Committee has imposed a financial penalty on Mr. Andre DeSimone of Kshs 2.5 million and disqualified him from holding office as a key officer of a public listed company and/ or issuer, licensee or in any other capacity in an approved institution of CMA for a period of one year from the date of the enforcement notification.

The Committee disgorged Ksh. 4.7 million being the amount received by Mr. Aly Khan Satchu as commissions from the respective trades conducted on the basis of insider information. The Committee further disqualified Mr. Aly Khan Satchu from holding office as a key officer of a public listed company and/ or issuer, licensee, or in any other capacity in an approved institution of CMA (including a stock broking agent) for a period of three years from the date of the enforcement notification.

The Committee has disgorged Kshs. 23.4 million being gains earned by the trading accounts managed under discretion by Mr. Kunal Bid, which were noted to have purchase of 2,895,100 shares through Kestrel Capital and AIB Capital. The Committee has also disgorged Kshs. 334,000 being the amount received by Bid Securities Ltd from Kestrel Capital E A Ltd and Kshs. 14, 600 being the amount received by

Bid Management Consultancy Ltd from AIB Capital Ltd as the commissions from the respective trades conducted on the basis of insider information.

Noting the majority of the queried transactions were dealt through Kestrel Capital (EA) Ltd, Kestrel voluntarily disgorged Kshs. 9.9 million being the commissions earned on the transactions executed through the two stockbroking agents, namely Mr. Bid and Mr. Satchu pursuant to a No Contest Settlement Agreement. Kestrel voluntarily entered the settlement neither admitting nor denying liability thereby closing the insider trading investigations in respect to Kestrel as an entity.

2.2 CMA STAKEHOLDER WORKSHOP ON THE CONTEMPORARY DEVELOPMENTS IN THE CAPITAL MARKETS INVESTIGATIONS AND ENFORCEMENT

On 29 May 2019 CMA held a Stakeholders' Workshop on the contemporary developments in the Capital Markets Investigations and Enforcement. The workshop attendees included representatives from issuers and market intermediaries. During the workshop, CMA provided information on the Investigation and Enforcement Cooperation Program Policy, which provides a platform for co-operation between the Authority and individuals or entities that are subject to investigations and related enforcement process. The Incentivized Whistle-blower Policy, which provides a platform for anonymous reporting of tips on contraventions occurring in the market and identity of the perpetrators to further investigation by the Authority with the aim of promoting ethical behaviour and integrity in the market. The Authority also conducted a presentation on the fraud risk survey in the financial year and measures that have been taken to address the risks identified as well at the Enforcement Manual used by the Authority in taking enforcement actions in instances of breach of the Capital Markets Legal and Regulatory Framework.

2.3 OTHER ENFORCEMENT ACTIONS

On 06 May 2019, the CMA Board took enforcement action against Mr. Rodrick Muhoro. Following investigations, CMA established the presence of a scheme where fixed income dealers at investment banks, asset management firms and brokerage firms colluded with individual bond facility holders in bank custodial accounts to trade bonds ahead of orders placed by non-suspecting investing clients (also

known as front running clients) for gain.

The Authority's investigations established that Mr. Rodrick Muhoro was a key player in the scheme and used his position as a bond trader in Government securities to obtain illegal gains amounting to Kshs. 104 million in year 2016 and 2017.

The enforcement action against Mr. Muhoro included; disqualification for a period of ten years from trading in government fixed income securities/ bonds; and a financial penalty of Kshs. 208 million equivalent to two times the benefit of Kshs. 104 million which he made from the scheme in the bonds transaction.

3 INVESTOR EDUCATION AND PUBLIC AWARENESS

3.1 CAPITAL MARKETS UNIVERSITY CHALLENGE 2018

The grand finale award ceremony for the top winners was held on 17 May 2019. The grand winner, Mr. Jacob Masara from Alupe University was awarded Kshs. 150,000; first runners up, Ms. Lorna Waweru from Maasai Mara University was awarded Kshs. 100,000; and second runners up, Mr. John Mwangi Gitonga Kshs. 50,000 respectively to buy a portfolio of shares listed at the Nairobi Securities Exchange and to visit a securities regulator and securities exchange in an African country for three days respectively. Students who were ranked positions 4 – 12 were awarded with Kshs. 5,000 each to buy a portfolio of shares listed at the Nairobi Securities Exchange. The grand winner's university was also awarded books and capital markets literature worth Kshs. 75,000.



Winners of the Capital Markets University Challenge 2018. From Left to Right - Overall Winner - Mr. Jacob Masara from Alupe University College, 1st Runners Up- Ms. Lorna Waweru from Maasai Mara University and 2nd Runners Up -Mr. James Mwangi from Strathmore University. The Challenge, a part of the Authority's strategy of promoting investor education among the youth, ran from August 2018 to May 2019 and attracted interest from 6,015 students in 37 universities countrywide.



Capital Markets University Challenge 2018 award ceremony. From Left to Right - CMA Board member Mr. Nevis Ombasa, 1st Runners Up- Ms. Lorna Waweru from Maasai Mara University, CMA Chairman Mr. James Ndegwa, Overall Winner - Mr. Jacob Masara from Alupe University College, CMA Board Member Mr. John Birech, 2nd Runners Up -Mr. James Mwangi from Strathmore University and CMA Board Member Mr. Moibi Mose.

3.2 CONTINUOUS PROFESSIONAL DEVELOPMENT (CPD) STAKEHOLDER ENGAGEMENTS

In recognition of the goal to ensure Kenya is a competitive and attractive destination for international funds flows, the capital markets industry has strongly supported the introduction of international certification standards in tandem with the introduction of more diversified products. For Kenya to be competitive and attract international funds flows, key staff in capital market intermediaries will be further required to adopt Continuous Professional Development standards to ensure that engagement with investors is consistent and to the highest possible standards informed by the most current information. It is in this regard that the Authority conducted three (3) stakeholder engagements in June 2019 attended by one hundred and thirty participants drawn from various sectors attended the forums. The objective of the forums was to provide as well as receive feedback on the CPD program and policy to be introduced in Kenya within the first quarter of the 2019/2020 financial year.

3.3 DIASPORA FACEBOOK CONFERENCE

The Authority held a Facebook conference on 25 June 2019 targeting the Kenya Diaspora. The objective of the conference was to provide information on current trends with respect to products and services, investor protection interventions as well as address issues specific to the Diaspora about investing in the

capital markets. Five hundred and fifty three participants attended the event from eight countries.

3.4 ONE-ON-ONE VISITS TO POTENTIAL ISSUERS

As a follow up to a Business Incubation and Accelerator on the Listing Experience previously held in an effort to attract more listing at the Nairobi Securities Exchange, the Authority in collaboration with the Nairobi Securities Exchange and intermediaries held one-on-one meetings with potential issuers on raising capital through the capital markets. The main objective of meetings with Africa 24 Media and Devki Group on 26th and 28th June, 2019 respectively was to discuss the roadmap and opportunities to actualization.

BUDGET STATEMENT FOR 2019/2020 FINANCIAL YEAR

The Authority annually develops and submits policy proposals to the Cabinet Secretary-National Treasury and Planning for consideration and inclusion in the Budget Statement. The focus of these proposals is to create an enabling environment for capital market development to facilitate mobilizing of long-term financial resources for realization of Vision 2030 objectives and national development priority areas. Following the submission of the Policy Memorandum to the National Treasury and Planning on 25 February 25 2019, a number of capital markets related proposals were adopted in the recently read 2019/20 Budget Statement. The key proposals by Government affecting the capital markets sector are as follows:

Table 1: Key Proposed Changes affecting the Capital Markets in the 2019/20 Budget Statement

ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Interest rate capping	Amend the Banking (Amendment) Act, 2016 by repealing section 33B of the said Act, which capped lending at 4% above the CBR Rate.	The interest capping law became operational in September 14, 2016 yielding negative effects on the capital markets. Banks including listed banks suffered the biggest hit from the interest rate caps, which slashed their profit by a larger margin ultimately affecting their performance. International experience shows that in most cases, caps have produced undesirable outcomes, such as reduced intermediation and transparency, reduced bank competition and increased risk to financial stability. With the removal in interest rate caps, we expect to see a reversal and improvement in bank performance to enable banks and other lenders provide more credit especially to borrowers they consider riskier and enhance access to credit and minimize the adverse impact of the interest rate capping on credit growth while strengthening financial access and monetary policy effectiveness. Additionally, considering the share of banks, we expect a rebound in their profitability and hence an upsurge in Market Capitalisation.
Domestic Bond Market Reforms	The Government plans to roll-out measures to enhance transparency and predictability in	This will serve to enhance efficiency, lower costs, and risks in the fixed income securities market, as well as develop an effective

	the issuance and trading process for Treasury Bills and Treasury Bonds.	yield curve for Government domestic debt securities. Reforms in the Government Bond Market is expected to attract investors' particularly foreign investors into our capital markets space.
Kenya Mortgage Refinancing Company (KMRC)	KMRC has received capital injection of KShs 1 billion from Government, and KShs 35 billion credit line from the World Bank and the Africa Development Bank. KMRC has also received Ksh.1.2 billion from other shareholders (Banks and SACCOs), and a further KShs 400 million is expected from other Development Financial Institutions (IFC and Shelter Afrique) in form of equity injection	It is expected that the KMRC will leverage on capital markets to raise funds through bonds for on lending to banks and other mortgage financing companies hence bringing down the cost of housing in line with the Government's "Big Four" Agenda. Due to the long-term nature of capital markets funding and attractive rates, this will allow Primary Mortgage Lenders to lengthen tenors and offer fixed rate loans hence improved mortgage affordability and increased number of qualifying borrowers
Coffee Cherry Revolving Fund	KShs 3 billion for setting up the Coffee Cherry Revolving Fund to implement prioritized reforms in the coffee sub-sector has been set aside enabling farmers access the Cherry Advance at a modest interest rate of 3 percent	This would serve to complement the reforms the Authority has been pushing at the Nairobi's Coffee Exchange through the National Taskforce on Coffee Sub-Sector Reforms
Capital Gains Tax	Exempt from the Capital Gains Tax the transfer of property that is necessitated by restructuring of corporate entities. The CS also proposed an increase in the Capital Gains Tax from 5% to 12.5%	This measure will allow listed entities to restructure their operations for efficiency and market penetration. The impact in the capital markets space will be minimal because capital markets securities are exempt from CGT.
Income Tax Bill	Draft Income Tax Bill, 2018, to be submitted to Parliament for enactment	The Authority shared comprehensive feedback on the draft Income tax Bill and hopes Parliament will pass it with key amendments that provide for tax incentives to spur growth of the capital markets.
Growth Enterprise Market Segment	Introduce an amnesty on the tax penalties and interest, on any outstanding tax for two years prior to the listing, for SME is that list under the GEMS program to encourage them to list and clean their tax records. The principal taxes shall however be paid in full.	The move will encourage Small Medium Enterprises and venture companies without an existing record of accomplishment but with growth projections to come to market and realize growth prospects while scaling up their operations.

<p>Requirements for registering a PIN</p>	<p>Amend the Tax Procedures Act to empower the Commissioner to grant exemption from the PIN requirement, in certain circumstances, when opening a bank account.</p>	<p>This has responded to the concerns raised from internal investors that the PIN requirement was a barrier to Foreign Direct Investments (FDIs) and position Kenya as a prime financial centre both regionally and globally. Foreign investors whose sole source of income is interest, dividends or capital appreciation will only be liable to withholding tax, and as they are not tax resident in Kenya, they will not be obliged to file a tax return on the income they earn. This proposal would serve to make the cost of doing business for Foreign Investors in marketable securities easier.</p>
<p>Investor Confidence</p>	<p>Amend the Capital Markets Act to empower the Authority to enforce penalties and sanctions on market players who violate laid down rules and procedures.</p>	<p>This would serve to complement the reforms the Authority has been pushing at the Nairobi's Coffee Exchange through the National Taskforce on Coffee Sub-Sector Reforms In order to effectively deliver on its mandate, the Authority requires powers to sanction the players in the market in case of violation of laid down rules and procedures. This will enhance investor protection and confidence in the financial sector ultimately facilitate investment growth in the country</p>
<p>SME Credit Guarantee Scheme</p>	<p>Launch the SME Credit Guarantee Scheme as a policy tool to direct credit to MSMEs.</p>	<p>Enhance access to affordable credit to Micro, Small and Medium Enterprises (SMEs) which are regarded as high-risk borrowers. The Credit Guarantee Scheme will work through easing the financial constraints of SMEs and start-ups by enabling them to access capital. Consequently, this will boost the Growth Enterprise Market Segment (GEMS) as they will be able to issue securities because they can leverage on the guarantee.</p>
<p>Kenya Sovereign Wealth Fund Bill</p>	<p>Finalization of the Sovereign Wealth Fund legislation to provide a legal framework to guide the investment of revenues from oil, gas, and mineral resources.</p>	<p>The Fund will be used to finance critical development programmes, build savings for future generations in order to ensure inter-generational equity, and for stabilizing budgetary expenditures in the event of fluctuations in the price of the natural resources. The fund is also expected to invest in the capital markets hence contributing to the growth of the market.</p>
<p>Kenya Development Bank</p>	<p>Creation of the Kenya Development Bank (The merging of ICDC, IDB, and the Tourism Finance Corporation).</p>	<p>We expect that the Kenya Development Bank will leverage the capital markets to meet the financing requirements of the sectors previously served by the three entities.</p>

Exemption of Investee Companies of Real Estate Investment Trusts (REITS)	Extend the exemption of income of REITs to cover investee companies of REITs	There has been long outstanding lack of clarity on tax status of REITs investee companies. This has in effect kept potential REITs from coming to the market. The amendment is expected to attract more REITs in the market.
Extending VAT exemption to full spectrum of regulated capital markets brokerage services	Replace the word “Stock” with “Securities” to clarify that the exemption applies to all Securities Brokerage Services	This will bring certainty of tax status of brokers that have come on board lately including derivatives and Online forex brokers. This is expected to attract more brokers in the market. Securities cover a full spectrum of regulated capital markets brokerage services. The amendment is meant to expand the scope of application of VAT exemption of brokerage services for securities other than stocks. This will ensure certainty in the regulatory framework

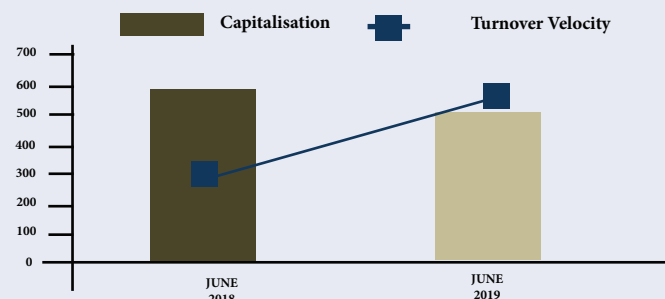


MOROCCO

UPDATE FROM AMMC MOROCCO

STOCK MARKET INDICATORS

During the second quarter of 2019, the MASI experienced upward and downward trends. Since the beginning of April 2019, Casablanca Stock Exchange’s indicators displayed an uptrend before falling slightly at the end of the mid-May then increased again until mid-June to end on a negative performance of -0.68% compared to the end of December 2018 and -4.98% year-on-year.



Regarding liquidity, its ratio rose from 9.23% at the end of June 2018 to 17.65% at the end of June 2019. This significant increase is mainly due to the public offer for the sale of Maroc Telecom shares.

In terms of volumes, the Casablanca venue recorded at the end of the first six months of 2019, a transaction volume of around 0.27 billion USD, which represents more than 0.51 billion USD compared to the same period of the previous year, with a larger block market.

	JUNE 2018	JUNE 2019	VARIATION
MASI	1187,865	1128,704	-4,98%
Market Capitalisation	60,57	58,309	-3,73%
Turnover Velocity	9,23%	0,1765	91,22%
Central Market (Annual Volume)	0,19	0,15	-22,50%
Block Market (Annual Volume)	0,364	1,27	249,17%

In Billion MAD (USD = 10MAD)

The market capitalization stood at 58.3 billion USD as at June 31, 2019, it fell at 3.73 percent year-on-year.

INVESTORS PROFILES

The first quarter of 2019 was marked by a preponderance of UCITS intervention in the central market, with a 42% part of transactional volume in the equity segment, increasing by 3 percentage points compared to the same quarter of the same period last year.

This category is well ahead of Moroccan Legal Entities, which account for 28%, and whose relative weight has increased by 4 points year-on-year. Foreign Legal Entities and Moroccan Natural Persons, meanwhile, have represented respectively a part of 18% and 8%.

DEBT MARKET

Outstanding bonds and marketable debt securities (in billion USD) :

TREASURY BONDS	
Outstanding end of Q4 - 2018	54 620,49
Fundrise	3 095, 18
Redeem	2 171, 94
Situation end of Q1-2019	55 543,73

FINANCE COMPANY BILLS	
Outstanding end of Q4 - 2018	1 991,89
Fundrise	225,50
Redeem	47,47
Situation end of Q1-2019	2 169,93

CERTIFICATES OF DEPOSIT	
Outstanding end of Q4 - 2018	5 277,76
Fundrise	1 051, 78
Redeem	630,57
Situation end of Q1-2019	5 698,97

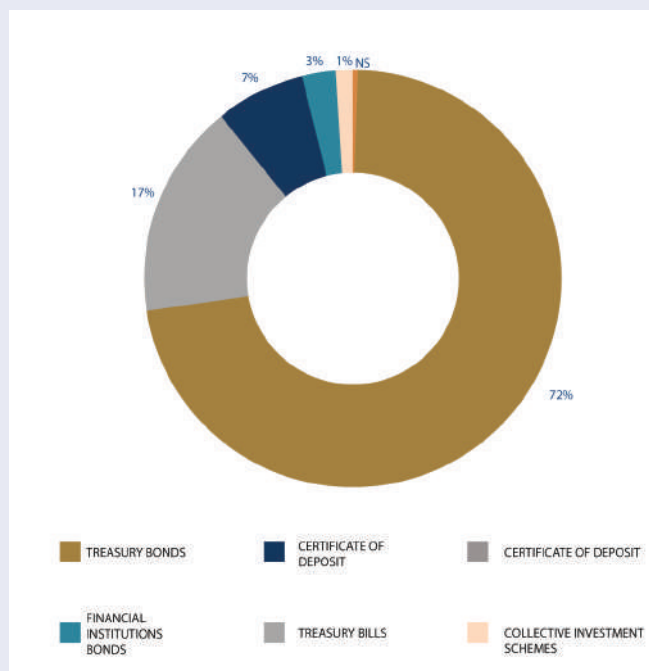
COMMERCIAL PAPERS	
Outstanding end of Q4 - 2018	129,61
Fundrise	166,80
Redeem	70,30
Situation end of Q1-2019	226,11

BONDS	
Outstanding end of Q4 - 2018	12 644,81
Fundrise	-
Redeem	293,59
Situation end of Q1-2019	12 351,22

SECURITIZATION VEHICLES

Outstanding end of Q4 - 2018	821,18
Fundrise	-
Redeem	3,94
Situation end of Q1-2019	817,24

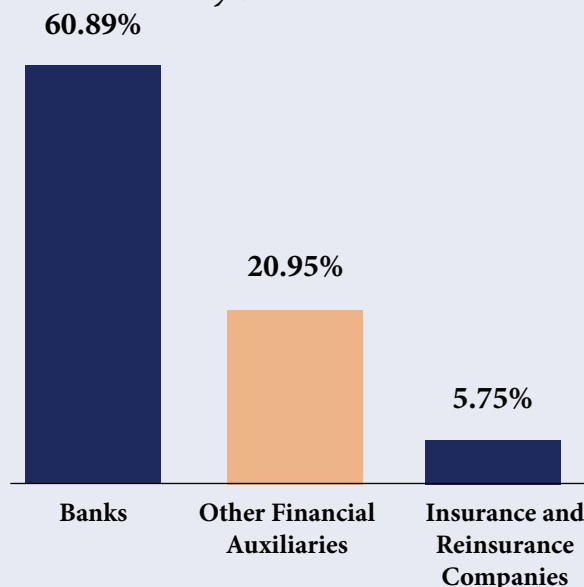
Breakdown of outstanding bonds and negotiable debt instruments (in billion USD) :

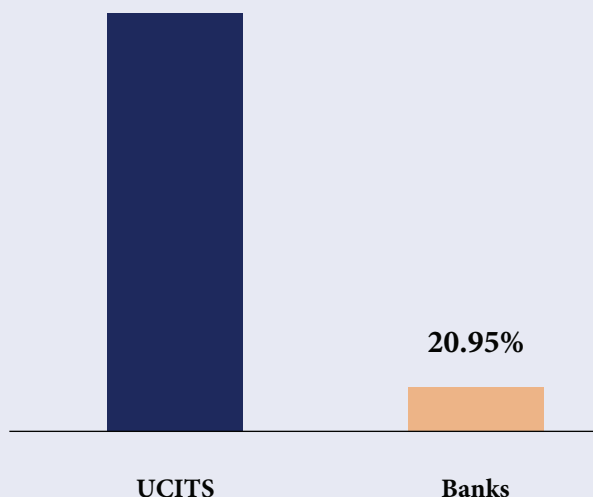


In the debt market, the part of treasury bonds remains predominant, accounting for 72% of total outstanding. The treasury bills totaled 3.489 billion USD, followed by the levies of banks in certificate of deposit for an amount of 1.136 billion USD.

4. SECURITIES LENDING

Main borrowers by % volumes



Main lenders by % volume**60.89%**

Source: Account Keeper

During the first quarter of 2019, the volume of securities lending transactions reached 7.08 billion USD, a decrease of nearly 1.5% compared to the same period of 2018. Lenders are represented by UCITS with 90% of the volume followed by banks with 10%. As for the main borrowers, they are mainly banks and other financial auxiliaries with respectively 61% and 21% of the total volume treated. Securities lending remains dominated by treasury bills with 90% of the total volume during the first quarter of 2019. Certificates of deposit and shares have also been lending transactions with respective shares of 6, 6% and 2.5%.

LEGAL DEVELOPMENTS**LEGAL TEXTS ADOPTED AND PUBLISHED IN THE OFFICIAL GAZETTE*****Sociétés anonymes: PLC***

Law No. 20-19 amending and supplementing Law No. 17-95 was published in Official Gazette No. 6773 of April 29, 2019. This law introduced the concept of independent administrator while providing for the conditions to be required for their appointment and appointment as members of the board of directors and the supervisory board of companies making public offerings.

It also determines the composition of the audit committee of non-executive directors while determining the minimum number of its members, the criteria to be required by them, the qualification of the non-executive directors and their missions.

Security Interests

Law No. 21-18 amending and supplementing the provisions governing security rights has been published in Official Gazette No. 6771 of 22 April 2019. The law has established the National Electronic Register of Securities Interests. It aims to facilitate the creation and enforcement of security rights, strengthen the mechanism of representation of creditors and strengthen the contractual freedom between the parties.

REGULATORY TEXTS ADOPTED AND PUBLISHED IN THE OFFICIAL GAZETTE***Coordinating body for Futures***

Decree No. 2-18-827 establishing the composition and operating procedures of the Futures Co-ordination Authority was published in Official Gazette No. 6781 of 27 May, 2019. It sets the composition of the chosen members of BAM (Central bank) and the AMMC: two representatives for each authority with one alternate representative for each.

The decree stipulates that the presidency of the body is assumed by the two authorities in turn for a period of two years and that the meetings of the body are held at least four times a year.

Undertakings for collective investment in capital

Two decrees issued by the Minister of Economy and Finance were published in Official Bulletin No. 6765 of 1 April 2019:

- Decree No. 129-19 setting the threshold and the methods for calculating the capital of the management companies of Undertakings for Collective Investment in Capital OPCC, which provides that the threshold mentioned above must at all times be less than the greater of

- the capital amount of the SDG
- one quarter (1/4) of annual operating expenses

- Decree No. 130-19 fixing the rate, the calculation and settlement of the commission to be paid by the undertakings for collective investment in capital for the benefit of the AMMC, as well as the rate the increase in case of default of the said commission.

Undertakings for Collective Investment in Transferable Securities UCITS

The decree of the Minister of Economy and Finance No. 1804-19 amending and supplementing the Minister of Economy and Finance Order No. 2541-13 on the composition of the assets of UCITS has been published in the Bulletin Official Gazette No. 6786 dated June 13, 2019.

The amendment made by this decree concerns the following elements:

- The list of cash and securities that may be included in the assets of a UCITS as well as their ceilings.
- The percentage of holding by a UCITS of the same class of securities issued by the same issuer.
- The percentage of holding by a UCITS of the same class of securities issued by the same issuer.
- The percentage of use by a UCITS of its assets in Negotiable Debt Securities, units of Collective Investment Schemes (OPCC) and units of collective investment securitization funds (FPCT).

CIRCULARS ADOPTED AND PUBLISHED IN THE OFFICIAL GAZETTE

Management Companies of Real Estate Investment Placements OPCI

The AMMC circular No. 02/18 relating to the Management Companies of Undertakings for Collective Investment in Real Estate was published in the Official Bulletin No. 6771 dated 22 April, 2019.

This circular comes with a set of obligations to be met by the companies wishing to obtain AMMC approval in order to exercise as an REITs management company and imposes upon them, once the authorization has been granted, a set of rules to be respected during the exercise period of their REITs management activity.

Approval of the management companies of the OPCC Undertakings for Collective Investment in Capital and the management institutions of the FPCT collective investment securitization funds:

AMMC Circular No. 01/19 concerning the authorization of the management companies of the OCCP collective investment schemes and the management institutions of the FPCT collective investment funds has been published in the Official Gazette n ° 6787 dated June 17, 2019.

This circular amends the old provisions contained in the AMMC's consolidated circular, adapting them in the light of market developments, observed practices and the needs of market players, in particular through the setting of a new regulatory corpus setting the conditions to be fulfilled by the companies and institutions wishing respectively to exercise as OPCC management company and FPCT managing institution.

Public Call for Savings (Public offering)

The AMMC circular No. 03/19 relating to financial operations and information was published in Official Gazette No. 6784 dated 7 June, 2019. The publication of this circular, as approved by the Minister of the Economy and Finance, led to the entry into force of Law No. 44-12 on the public offering and the information required of investors, corporations and public offering bodies.

It introduced the term prospectus instead of the document or note and / or information notice, the rules of its establishment and its visa by the AMMC. The circular has been structured in such a way as to provide details of the appropriate rules for all financial transactions as part of their visa pre-processing and the list of documents required for each file submitted to the visa procedure. In its second title, the circular provides the appropriate rules for the various disclosure requirements to be communicated and published by organizations and legal persons making public calls for savings, including annual, half-yearly and quarterly reports, their formats and methods of their communication and / or publication

TEXTS UNDER DISCUSSION

SOCIÉTÉS ANONYMES: PLC

Under discussion at the level of the General Secretariat of the Government, the draft law No. 92-18, modifying and completing the law No. 17-95 relating to public limited companies, is part of the framework of the adhesion of the Morocco to the Global

Forum on Transparency and Exchange of Information for Tax Purposes and National Efforts to Combat Money Laundering.

As such, the bill now reserves the issue of bearer shares to companies listed on the stock exchange and provides for sanctions against members of the administrative, management and management bodies that would break this rule. There is also a transitional period to regularize the situation of bearer shares issued prior to the entry into force of that law.

Collaborative financing

Bill 15-18 on collaborative funding was the subject of public consultation between 21 March, 2018 and 19 April, 2019. The purpose of this bill is to set up a legal framework governing collaborative financing activities operating through internet platforms allowing for a direct and transparent link between project promoters and contributors. These activities take three forms of financing namely, the loan, the capital investment and the donation.

Undertakings for Collective Investment in Transferable Securities UCITS

The draft law on undertakings for collective investment in securities amending and supplementing the Dahir Law No. 1-93-213 is under discussion within the Treasury and External Finance Directorate.

This amendment has been prepared in consultation with the Moroccan Capital Market Authority and the Treasury and External Finance Department and the Association of Moroccan Investment Management Companies and Funds.

This bill aims to modernize the legislative framework governing UCITS and to converge the Moroccan financial market towards international standards. In particular, it provides for the possibility of setting up UCITS with compartments and the admission of UCITS shares to trading on a regulated market.

Real Estate Mutual Funds (OPCI)

The draft circular No. 02/19 on the approval & operation of OPCIs, which complements the first circular No. 02/18 on management companies of OPCI. It is in the final validation phase at the General Secretariat of the Government.

This draft circular mainly concerns the conditions for the authorization of OPCIs, the conditions and modalities for preparing and modifying the infor-

mation document and specifies the operating procedures of the OPCIs.

Automatic exchange of information corresponding to the financial accounts

The draft decree relating to the implementation of the new standard for the automatic exchange of information corresponding to the financial accounts is being discussed in the General Tax Directorate in consultation with the market regulators namely the Moroccan Authority. of the Capital Market, Bank Al-Maghrib and the Insurance and Provident Control Authority.

The draft decree lays down the terms and conditions for the communication of information relating to the financial accounts of non-residents. The objective is the implementation of the agreements for the automatic exchange of information on financial accounts concluded by the Kingdom of Morocco in accordance with the common reporting standard approved by the OECD.

RECENT EVENTS

The AMMC organized seminars presenting circular No. 03/19 on financial operations and information

On 27 - 28 June, 2019, the Moroccan Capital Market Authority organized, at its headquarters in Rabat, seminars presenting circular No. t03/19 on financial operations and information.

As a reminder and in accordance with the provisions of the law No. 43-12 related to the AMMC and those of its general regulation, the draft circular was drawn up based on international guidelines and standards regarding information disclosure applied to companies making Public Call for Savings, and was submitted to public consultation before its approval by the Minister of Finance and its publication in the Official Bulletin.

The AMMC adopted a professional certification system for financial market participants

The launch of the professional certification for the markets participants marks a new stage in the deployment of AMMC's missions, particularly in terms of market control and the protection of savers. The purpose of this certification system is to ensure that persons occupying specific positions in organizations subject to the supervision of the AMMC are

qualified to perform their duties in compliance with regulations, ethics and with the necessary technical knowledge.

On 29 June, the AMMC welcomed the first bunch of candidates for the certification exam dedicated to financial traders. This first test counted 30 candidates including 20 legal entities (17 brokerage firms and 3 assets management companies).

The AMMC moved to a new home office

The AMMC currently has its new headquarters on Avenue Annakhil- Hay Riad-Rabat, after being in Agdal-Rabat for 26 years. Since the number of employees grown and the need of modern space has increased, this relocation has become a priority. The challenge was about to find a new address that fits with the image and the new strategy of the authority. At the end of May, the AMMC moved to this new headquarter.

The AMMC and the Ministry of Economy and Finance of Morocco launched the REITs

To develop and strengthen its capital market, the Moroccan Ministry of Economy and Finance and the AMMC officially launch real estate investment funds. An additional feature of the Kingdom's strategy of diversifying its financial instruments serving investors, businesses and savers,

in a strict regulatory framework. For this occasion the AMMC communicated a new guide for REITs.

The AMMC participated to the MENAFATF 29th Plenary Meeting

As a follow-up to the exercise of the evaluation of the national AML / CFT system by the MENAFATF started in March 2018, Morocco presented and discussed the final version of the report of the said evaluation at the 29th MENAFATF plenary held on 19 - 25th April in Amman.

The delegation of the AMMC was also able to meet during this mission the delegation of the Jordanian regulator.

The AMMC joined the roundtable Capital market participants related to the ALEP project

As part of the project of the interconnection project of African stock exchanges, the AMMC participated to the round table organized by the two initiators of this project: the association of African stock exchanges with the support of the African Development Bank. This event, which took place on April 24 in Abidjan, was an opportunity to review the actions plan, to provide the reasons justifying the choice of the pilots stock exchanges, to launch a brainstorming session on the challenges faced the project and agree on next steps.



NIGERIA

UPDATE FROM THE SECURITIES AND EXCHANGE COMMISSION NIGERIA

SEC MOVES TO DEEPEN FINANCIAL LITERACY IN NIGERIA

The Securities and Exchange Commission (SEC) Nigeria has expressed its readiness to strengthen its collaboration with other regulators in the financial industry in Nigeria, to boost its financial literacy campaign. This is to ensure that Nigerians both in the urban and rural areas are effectively sensitized on the benefits of financial literacy, which will in turn lead to an improvement in the economy.

The Director Market Development Department, Securities and Exchange Commission, SEC, Mr Ed-

ward Okolo during an advocacy visit by the Financial Literacy Technical Committee, a market wide committee of the capital market made this statement to the National Insurance Commission (NAICOM) in Abuja .

He explained that the visit was aimed at strengthening collaboration between the committee and NAICOM and expressed appreciation to NAICOM for being a member of the committee in helping to pursue financial literacy awareness in the market.

He described the insurance industry as one of the veritable tools of raising money in the market, stressing the need to explore avenues of enlighten-

ing the states on insurance during the SEC's regular enlightenment campaigns.

"As we market the capital market, NAICOM can also market insurance products during such campaigns. This collaboration will further strengthen our base and strengthen the financial side of the economy. Our sustenance is going to be based on how we can strengthen the market and introduce new products" he said.

SEC URGES YOUTH TO INVEST IN CAPITAL MARKET

The Securities and Exchange Commission has encouraged Nigerian youths to avail themselves of the investment opportunities in the capital market.

The acting Director-General, SEC, Ms Mary Uduk, who stated this, said there were various products and funds available in the market that would appeal to the youth populace in Nigeria. She encouraged them to take advantages of the opportunities and invest wisely.

Uduk said, "We have mutual funds and it covers every asset in the capital market whether it is money market, insurance, capital market, and real estate or infrastructure, among others.

"The youths can invest in these; rather than leave your money in savings account, you can invest in mutual funds.

She stated that the commission had commenced investor education and enlightenment for Nigerians to understand the benefits of mutual funds, which she said gave more interest than saving money in bank accounts.

Uduk also urged those that had already invested in the market to register to claim their dividends electronically as a means of reducing the unclaimed dividends profile that multiple accounts, which have not been claimed for many years, are still being paid dividends.

She further urged those with multiple accounts to regularize in order to claim the dividend accruable to that account. "Those people that have multiple accounts can only lay claim on dividends in one account; all the others will keep warehousing divi-

dends as long as they are not regularized.

We, therefore, urge all those with multiple accounts to regularize such accounts so that they can also claim their dividends.

SEC SUSTAINS THE IMPLEMENTATION OF MASTER PLAN INITIATIVES

The Securities and exchange Commission, (SEC) Nigeria has disclosed that of the over 90 initiatives outlined in the Capital Market Master Plan, 66 initiatives have commenced since 2015, out of which 13 had been successfully completed.

The acting director-general of the SEC, Ms. Mary Uduk, made this disclosure at a meeting with capital market stakeholders while commending stakeholders in the capital market for their cooperation and support. Some of the concluded initiatives include dematerialisation of shares, recapitalization of capital market operators, setting up of a National Investment Protection Fund and the establishment of the West African Securities Regulators Association among others. 55 of the initiatives are at various stages of implementation and it is hoped many of them would be concluded before the end of the year. Some achievements include e-dividend mandate, Direct Cash Settlement, roadmap on commodities ecosystem, new listing, financial literacy, law reviews, non interest capital market products among several of the initiative that have been collectively worked on.

The acting DG said the implementation of the 10-year Capital Market Master Plan commenced in earnest under the guidance of the Capital Market Master Plan Implementation Council chaired by Mr. Otaola Monolaurin, and have made great strides in its implementation efforts.

Ms. Uduk said the SEC and market stakeholders have taken up the initiatives outlined in the master plan document in a systematic manner while also painstakingly engaging with the government, its agencies and other critical stakeholders whose support and collaboration was required to achieve the objectives outlined in the master plan.

According to her, "All of these would not have been possible without your support, cooperation and collaboration. We are indeed grateful to the different committees through which a lot of the work on these

initiatives have been carried out. It would have been impossible without your commitment of time, energy and resources; your drive and focus.

“I want to recognize that the work that has been done by CAMMIC and indeed the key players in the capital market directly and contribute to the development of not only the Nigerian capital market but the financial system at large.”

The Securities and Exchange Commission (SEC) yesterday disclosed that it has commenced implementation of 66 out of the over 90 initiatives outlined in the Capital Market Master Plan, 13 of which had been successfully completed.

Ms Mary Uduak, SEC’s Director-General, who made the disclosure at a meeting with capital market stakeholders, said some of the concluded initiatives were dematerialization of shares, recapitalization of capital market operators and setting up of a National Investment Protection Fund.

She said SEC had also been able to establish the West African Securities Regulators Association, among others.

She expressed optimism that many of the 55 initiatives at various stages of implementation would be concluded before the end of 2019.

“Some of the achievements include e-dividend mandate, Direct Cash Settlement, Roadmap on commodities ecosystem, new listing, financial literacy, law reviews and non interest capital market products, among others.

SEC COMMITS TO IMPLEMENT REPORT ON COMMODITIES MARKET DEVELOPMENT

The Securities and Exchange Commission (SEC) said it has begun the implementation of the report of its Technical Committee on Commodity Trading Ecosystem.

The SEC’s Acting Executive Commissioner (Operations), Mr. Isyaku Tilde, made this disclosure when a delegation of the Commodity Brokers Association of Nigeria (CBAN), led by the Association’s Registrar, Alhaji saleh Kwaru, visited the Commission in Abuja, on Wednesday.

Tilde, who stood-in for the commission’s Acting Director-General, Mary Utuk, said SEC was ready to collaborate with the Brokers Association in that regard.

According to Tilde, *“The aim of SEC is to have an efficient commodities exchange because right now that sector of the capital market is dormant. Part of the issues that the committee is trying to address is capacity building and public enlightenment campaigns. I believe that part of the things CBAN is doing is capacity building, which is one area where we can collaborate going forward.”*

The implementation is coming from the background of the recommendations of the Nigerian Capital Market Master Plan 2015-2025 for the development of a thriving commodity trading ecosystem.

According to the Committee’s report which published on SEC’s website, one of the recommendations is to build the capacity of stakeholders and the public on commodity exchange in order to bridge the existing knowledge gap.

The trading ecosystem is aimed at deepening the capital market and also increasing the number of product offering with the enhancement of agricultural and solid mineral production and spur economic development.

The CBAN Registrar, Kwaru stated that the association started 13 years, and currently had 800 members certified by the Nigeria Commodities Exchange (NCX) to provide training. In addition, Kwaru said, “We have been training people since 2009. We currently have 800 members, 15 of whom are SEC staff members. “Today, we have close to 200 commodities brokers registered with NCX., and with this, we are set to operate on the floor of the NCX as soon as its trading platform is ready.

“We are here to seek your support as the regulator, because we learnt there are other administrative processes that the brokers have to undergo to be licensed by SEC.” he said. He also solicited the commission’s support for CBAN’s push to secure presidential assent to the Chartered Institute of Commodity Brokers Association of Nigeria (CICBN).

Kwaru commended SEC for developing the Nigerian Capital Market Master Plan, and for registering

two private commodities exchanges to open up the market.

The two private markets in question are Afex Commodities Exchange, which started operations in 2014, and the Lagos Commodities and Futures Exchange.

The Securities and Exchange Commission (SEC) on Wednesday said it has commenced the implementation of the report of its Technical Committee on Commodities Trading Ecosystem.

The Acting Executive Commissioner (Operations) of SEC, Mr Isyaku Tilde, disclosed this when a delegation of the Commodity Brokers Association of Nigeria (CBAN) led by its Registrar, Alhaji Saleh Kwaru, visited the Commission in Abuja on Wednesday. One of the recommendations, according to Tilde was to build the capacity of stakeholders and the public on commodities exchange to bridge the existing knowledge gap.

Tilde, who represented the commission's Acting Director-General, Mrs Mary Utuk, expressed the readiness of SEC to partner with CBAN to achieve the implementation of the recommendations. "The aim of SEC is to have an efficient commodities exchange because right now that sector of the capital market is dormant. "Part of the issues that the committee is trying to address is capacity building and public enlightenment campaigns.

"I believe that part of the things CBAN is doing is capacity building, which is one area where we can collaborate going forward," he said.

SEC NIGERIA EXTENDS THE DEADLINE FOR THE DISCONTINUATION OF THE ISSUANCE OF DIVIDEND WARRANTS TO DECEMBER 2019.

The Securities and Exchange Commission (SEC) has extended the deadline for the discontinuation of the issuance of dividend warrants to December 2019.

The move, according to the Commission, was to enable relevant stakeholders deliberate on and address all outstanding issues. SEC announced the extension via circular on its website, saying the decision was also in furtherance of its mandate to ensure that all categories of shareholders and investors are adequately protected.

According to the Commission, the extension of the

deadline for discontinuation of issuing of warrants does not stop investors to continue with the registration for electronic-dividend.

It stated that the e-dividend initiative remains critical to the complete elimination of the phenomenon of unclaimed dividend and management of the commission encourages all shareholders who are yet to do so, to get mandated on the e-dividend platform before 31st December 31, 2019.

The Commission said it recently conducted a strategic assessment of the implementation of the e-dividend initiative across the country and reviewed feedback/observations received from stakeholders and the general public.

"The assessment revealed that while remarkable progress has been recorded in concerted efforts through robust enlightenment campaigns to mobilize more shareholders to get mandated on the e-DMMS platform, there remain a few pertinent issue that need to be resolved as a precursor to the total discontinuance of the issuance of dividend warrants by Registrars" it said.

The regulator believes that when investors receive dividends electronically it would reduce unclaimed dividends. It also believes that when investors who used multiple accounts to buy shares in the boom days consolidate their accounts and begin to claim accumulated dividends, the amount of unclaimed dividends would be reduced.

The Acting Executive Commission, Corporate Services, SEC, Mr. Adekunle Rolands, said only 2.7 million investors had mandated their e-dividend accounts.

He had explained that since SEC asked investors to pay a token of N150 for the e-dividend registration, investors have been reluctant to enroll for e-dividends. According to him, no investor would be asked to pay at the point of registration but the N150 will be deducted once the account has been mandated.

Similarly, the Acting Director General of SEC, Ms. Mary Uduk said the multiple account regularisation was extended to December 31, 2019 as part of commitment to reduce the quantum of unclaimed dividends in the market. "Through this exercise, some

Nigerian investors in Diaspora have been able to consolidate their shareholding accounts. Similarly, several local investors with numerous accounts have also been able to consolidate their investments.

SEC PARTNERS KOREAN REPUBLIC ON DEVELOPMENT OF DERIVATIVES MARKET

The Securities and Exchange Commission (SEC) has partnered the government of the Republic of Korea for creation of more investible products to enhance liquidity in Nigerian capital market. Ms. Mary Uduk, SEC Acting Director-General, stated this on Wednesday at the Final Reporting Workshop and High Level Policy Dialogue for the “Knowledge Sharing Programme (KSP) between the Republic of Korea and Nigeria in Lagos. Uduk said that the partnership between the commission and Korea’s Ministry of Economy and Finance was the first bi-lateral policy consultation between the two countries.

She said that the partnership would boost the development of financial derivatives market in Nigeria. “The journey to this final reporting workshop started a few years ago, with the Korean Ministry of Economy and Finance finally endorsing the KSP for implementation in 2018/2019. “The KSP is centered on ‘Capacity Building on Operation and Development of Financial Derivatives Markets in Nigeria,’ aimed at tapping from the Korea’s expertise and excellence toward developing the derivatives market in Nigeria.

“The Nigerian capital market will not remain the same at the conclusion of this workshop, as it has derived tangible benefits from this partnership. “This final workshop will articulate recommendations for the course of actions needed for the development of the Nigerian financial derivatives market and the management of market volatility,” Uduk said.

She commended the Republic of Korea, through the Korean Development Institute for supporting the development derivatives origination and regulation in the Nigerian capital market through the sponsorship of the KSP. “The programme has exposed my colleagues to the rich system and diversity of the Korean financial system, which enabled Korea’s advancement and contemporary status among the community of industrialised nations in the world,” Uduk added. She noted that Nigeria would not have a viable derivatives market without adequate capacity

building for the regulator and the market participants.

“The capacity gap is being bridged by the KSP by enhancing the capacity of the relevant stakeholders to jump-start the operation of the derivatives market in Nigeria,” she said.

Uduk further stated that the KSP had presented a good opportunity for addressing some of the challenges in setting up a strong and functioning derivatives market. She said that some of the challenges were having required market infrastructure, regulatory framework and surveillance system for the derivatives market in Nigeria.

Uduk expressed optimism that Nigeria would create a derivative market place that would be useful for the economy and the sub Saharan region. The director-general also solicited the support of the Republic of Korea toward future partnerships for developing the Nigerian capital market. “The Nigerian Capital Market Master plan is yet in its fourth year of implementation, but requires enormous resources to achieve its objectives of developing a world class market.

“This collaboration inches us closer to achieving our goals, but more collaboration and assistance will help us meet our targets in the area of Fintech development and regulation for the capital market and development of the commodities ecosystem,” she said. Uduk also urged them to help Nigeria in the development of a strong market infrastructure and financial inclusion and advocacy, to enhance retail participation in the market.

In his remarks, Korean Ambassador to Nigeria, Mr. Intake Lee, expressed excitement at some promising signs he had seen on how the SEC and the NSE were working hard to drive the derivatives financial products market in various sectors. Lee, represented by Consul General of Korean Embassy, Mr. Kim Intaek, said with these efforts, he was optimistic that Nigeria would soon be a financial hub for derivatives products in Africa.

SEC PARTNERS SECURITIES INSTITUTE ON CAPITAL MARKET GROWTH

The Securities and Exchange Commission (SEC)/ Nigerian Capital Markets Institute (NCMI) and the Chartered Institute for Securities and Investment

(CISI) UK have commenced a partnership, which will continue the NCMI's important mission to be a catalyst for capital market growth in Africa.

At the signing ceremony in Lagos, the Acting Director-General of SEC, Ms. Mary Uduk, said the vision of the commission's management is for the NCMI to become a world-class training institute and the first amongst its peers adding that it is in furtherance of this vision that the Commission entered into partnership with the CISI (UK) to ensure professionalism in the market.

"As you all know, the Securities and Exchange Commission (SEC) has a dual mandate to regulate and develop the Nigerian capital market. In furtherance of its developmental mandate, the Nigerian Capital Market Institute (NCMI) was established in 2004 to promote human capacity development and bridge the knowledge gap in the financial services sector with particular reference to the capital markets.

"The Nigerian Capital Market Institute (NCMI) offers a wide range of specialized training designed to equip market practitioners with the skills and technical knowledge needed for the efficient operation of our capital market. The institute also organizes regulatory examinations for sponsored individuals of capital market operators to ensure that they possess the requisite skills, knowledge and competence to engage in capital market operations and also to determine their suitability as fit and proper persons" she stated.

Uduk said both institutions will collaborate to develop and strengthen the regulatory examinations currently being run by the NCMI and also work closely to develop Nigeria-specific content for CISI's professional refresher which shall form part of the Continuous Professional Development (CPD) for market operators in Nigeria.

"Finally, the Nigerian Capital Market Institute (NCMI) will undergo the accreditation process and be recognized as an Accredited Training Partner (ATP) of Chartered Institute for Securities and Investments (CISI) which will enable it conduct training sessions for market participants who choose to undertake CISI's Introduction to Securities and Investments (IISI). To ensure the sustainability of the partnership, train-the-trainer sessions will be delivered to the Nigerian Capital Market Institute

(NCMI) trainers" she added. "The CISI and NCMI will additionally work together to develop continuing professional development (CPD) content specific to the Nigerian capital market which will be available via CISI's e-learning platform, Professional Refresher".

Praneet Shivaprasad, CISI's senior international manager, said: "We are delighted to partner with NCMI to help support Nigeria's growing financial services sector. Ensuring practitioners are qualified to global certification standards is crucial in promoting confidence in the Nigerian capital market, protecting investors and stakeholders."

The acting managing director of NCMI, Mr. Ismaila Ville, said: it will be beneficial to the Institute and to the capital market community at large. Particularly that the Institute has been identified by CISI to be an accredited training (ATP) provider that will provide global certification to capital market operators within Nigeria. And this certification is recognized within Nigeria and in the 100 other countries where CISI certification is recognized. "

The NCMI was established to provide human capacity development, bridge knowledge gap and train the trainers in the Financial Sector and the Nigerian Capital Market specifically. It serves as the pivot column in the market. It is one of the offshoot of developmental role of SEC as empowered by section 13f of the Investment and Securities Act, No. 27, 2007.

Besides, the Institute identifies weaknesses in all categories of Financial sectors and the Capital Market community and provide appropriate training to address the knowledge gap.

The CISI is also an Associate Member of the Africa Securities Exchanges Association (ASEA) and is in the process of announcing a partnership with the X-Academy, the training institute of the Nigerian Stock Exchange.

The CISI's mission is to help members attain, maintain and develop their knowledge and skills and to promote the highest standards of ethics and integrity in the securities and investment profession.

SEC AND ACMAN TO DEVELOP BENCHMARK FOR CAPITAL MARKET STUDIES

The Securities and Exchange Commission (SEC) Nigeria and the Association of Capital Market Academics of Nigeria entered into a partnership to develop curriculum for capital market studies in Nigeria.

The curriculum would enable the commission and the association to set the required benchmark that would be adopted by the National Universities Commission in the accreditation of capital market studies in tertiary institutions.

The partnership is the highpoint of a meeting between the Association led by its Interim President Prof. Uche Uwaleke, and the Commission led by the Acting Director-General, Mary Uduk.

Uduk said the commission would work with the association to improve the standards in the Nigerian Capital Market Institute. She said, "Working with this academic body is vital to moving the capital market forward. "Research that comes out of the university must be actionable and should help boost the growth and development of the capital market.

"This association will make our job a lot easier and we will work together to leverage on your expertise to develop the capital market." Prof. Uwaleke said the idea behind the Association is to advance the frontiers of capital market research and promote capital market issues in tertiary institutions.

He said being the apex regulator of the capital market, there is need for the Association to collaborate with the commission to set standard for capital market programme.

The university don said the need to set standard for capital market studies was based on the conviction that it would help promote the growth and development of the capital market.

Uwaleke said that the Association would also be collaborating with the Commission to create more awareness on the benefits of the capital market in tertiary institutions.

He urged the commission to leverage on the expertise of the association by allowing it have representation on the Capital Market Committee.

He said, "The SEC has done a lot in creating capital market curriculum in secondary school but we

feel that the low hanging fruit is in the university because that is where we have more literate people.

"We need to emphasize capital market studies in our universities because of the role it plays in economic development. We will do all we can to expand the frontiers of capital market."

SEC PARTNERS WITH EFCC TO CHECK CRIME IN CAPITAL MARKET

The Securities and Exchange Commission (SEC) and the Economic and Financial Crimes Commission (EFCC) have agreed to collaborate in combating crime in the Nigerian capital market.

This agreement was reached when the management of the SEC met with the management team of the EFCC at the EFCC Corporate Headquarters in Abuja. SEC's Acting Director General, Ms. Mary Uduk led the team. She stated that the visit was necessary in order to close ranks in the face of re-awakening of Ponzi

schemes, cybercrime and other fraudulent activities that have engulfed the market in the last few years. Uduk also stated that the visit was aimed at revisiting the Memorandum of Understanding (MoU) signed between the SEC & EFCC on January 19, 2017.

According to Uduk some areas where the MoU seeks cooperation of both agencies include training, secondment of middle cadre officers of the SEC to the EFCC and those of the EFCC to the SEC, cross border asset seizure, repatriation of stolen funds from the capital market and prosecution of offenders amongst others.

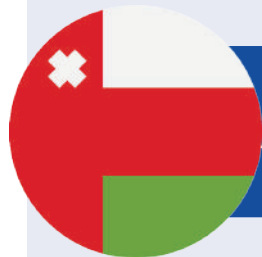
"We have had reasons to work together on some cases in the past. There is no better time for the SEC and EFCC to collaborate more closely than now", she added.

Responding, the Ag. Chairman of the EFCC, Mr. Ibrahim Magu thanked the Executive Management of the SEC for the gesture and stressed the need to strengthen collaboration between both agencies.

Magu also assured the SEC team of the EFCC's support in ensuring that clauses embedded in the MoU are executed given the magnitude of fraudulent activities currently on going in the country.

He reiterated the need for joint training of staff of both organizations, and said there is need to review the MoU in order to achieve both organization's objectives.

On the rising spate of Ponzi schemes in the country, Magu stressed the need for more sensitization campaigns between the the SEC and the EFCC to ensure unsuspecting Nigerians do not continue to lose their hard earned money.



OMAN

UPDATE FROM THE CAPITAL MARKETS AUTHORITY

THE CAPITAL MARKET AUTHORITY (CMA) LAUNCHES ELECTRONIC SYSTEM FOR REGISTRATION OF DIRECTORS

The Capital Market Authority (CMA) introduced an electronic system providing the eligible persons an opportunity to join the boards of directors of public joint stock companies.

The system is a move aimed at providing a database for people who have the experience and qualification to become directors of public joint stock companies.

“The database would be a link between the companies and the potential candidates with competence, experience and skills to act as directors, the person desirous of the job must enter his/her credentials

in the system so as the companies can access and assess whether or not the potential candidate meets the company's requirements.

The directors of the board are responsible for supervising the strategies of the companies, overseeing their priorities, setting up their policies, follow up the performance and taking decision relating to their business and financial and operational performance.

The system is designed to attract new competencies to the boards of directors to assist the companies in enhancing the efficiency of the board of directors. Moreover, the CMA allows other juristic persons in Oman to register in the system to benefit from the names listed therein for the public interest.

CMA ISSUES TAKEOVER AND ACQUISITION REGULATIONS

The Capital Market Authority (CMA) announced

an administrative decision, issuing the takeover and acquisition regulation for the public joint stock companies listed on the Muscat Securities Market (MSM).

The regulation was prepared to provide a framework containing the provisions regulating acquisitions of more than 25 per cent of shares of the public joint stock companies. The regulation also covers the acquisition of a controlling stake or even the takeover of a company on the basis of transparency and integrity that guarantees the protection of all market participants. The regulation stipulated the parties it applies to such as offeror and offeree, processes of acquisition and take over, timings and terms and conditions for take over and acquisition offers and percentages of take over offers. Moreover, the regulation ensures equal opportunities for all shareholders to benefit from the take over and acquisition offers including the allowance paid for take over beside the fair and equitable treatment of all shareholders specifically minority shareholders with regard to compulsory take over and acquisition offer.

CMA believes that the regulation would be a constructive addition to the market and allows best opportunities to the participants to avail the opportunities availed by implementation of the regulation and the transparency and fairness further to enabling the supply and demand forces to play their role in determining the prices to protect the rights

in a transparent, fair and professional environment.

SUSPENSION OF WITHHOLDING TAX ON DIVIDENDS, INTEREST TIMELY

The Government agreed to suspend the income tax related to dividends on shares and interests at 10% imposed after the issuance of the Income Tax Law promulgated by Royal Decree No. 9/2017 for three years as from 6 May, 2019 extendable.

The move was based on the approval of His Majesty Sultan Qaboos to create an attractive environment for foreign investments for the development of the national economy and the national interests in view of the open doors policy adopted by the Sultanate with regard to the foreign investments and economic principles, which would enable the private sector to play a greater role in the comprehensive development programs and policies.

Such decision would provide more incentives and facilities to attract direct and indirect foreign investments and Oman would be attractive destination for global investment and robust securities market.



For the Second Year CMA Dispatches Finance and Accounting Students for Training Abroad.

QATAR

UPDATE FROM THE FINANCIAL CENTRE REGULATORY AUTHORITY

COLLECTIVE INVESTMENT SCHEMES RULES 2010 – REAL ESTATE INVESTMENT TRUSTS

The Collective Investments Amendments Rules 2019 comprise minor rule changes to the Collective Investments Schemes Rules 2010 (“COLL”) regarding real estate investment trusts (“REITs”). The COLL changes are designed to create regulatory alignment with the Qatar Financial Markets Authority (“QFMA”) funds listing rules for REITs.

The rules provide more detailed criteria for the asset composition of the REIT (e.g., prohibiting the use of vacant land as an asset, allowing for a broader range of income streams from real estate, more extensive requirements on the historical performance of assets and requirements for fund income to be supported through a Bank guarantee in the REIT’s early years). The rules relating to REITS commence on 1 July 2019. Please click [here](#) to access the Collective Investments Amendments Rules 2019.



SAUDI ARABIA

UPDATE FROM CAPITAL MARKETS AUTHORITY

AN ANNOUNCEMENT REGARDING THE PROCEDURES AND REQUIREMENTS RELATING TO THE ISSUER WHOSE SECURITIES ARE LISTED ON THE EXCHANGE WHEN APPLYING FOR COURT FOR COMMENCING A FINANCIAL RESTRUCTURING PROCEDURE IN ACCORDANCE WITH THE BANKRUPTCY LAW

In reference to the Bankruptcy Law issued by Royal Decree number (M\50) dated 28/05/1439 H and its Implementing Regulation issued by Council of Ministers’ Resolution Number (622) dated 24/12/1439 H,

and in continuance to the CMA’s role in regulating and developing the capital market, as well as regulating and monitoring full disclosure of information relating to securities and the issuers of such while maintaining a stable and robust environment, and in accordance with the Capital Market Law issued by Royal Decree Number (M\30) dated 02/06/1424 H and its Implementing Regulations, the CMA’s board issued its resolution dated 27/7/1440H, corresponding to 3/4/2019G of the following:

- a. An issuer whose securities are listed on the Exchange must disclose to the Authority and the pub-

lic, immediately and without delay in a separate announcement, the following developments – with a statement of their impact on the issuer’s financial position or the general course of its business:

1. Upon passing a resolution by the person of authority in the issuer to submit an application to the court for commencing a financial restructuring procedure for the issuer in accordance with the Bankruptcy Law.

2. Upon receiving a notification from the court regarding others registering an application with the court for commencing a financial restructuring procedure for the issuer in accordance with the Bankruptcy law.

3. Upon registering an application with the court for commencing a financial restructuring procedure for the issuer in accordance with the Bankruptcy Law, with clarification of the subsequent steps and durations therefore.

4. Upon the issuance of the court’s decision rejecting the application of commencing a financial restructuring procedure for the issuer in accordance with the Bankruptcy Law, with a statement of the reasons for such rejection.

5. Upon the issuance of the court’s decision ordering the commencement of the financial restructuring procedure for the issuer in accordance with the Bankruptcy Law, with clarification of the subsequent steps and durations therefor.

6. Upon the issuance of the court’s decision terminating the financial restructuring procedure in accordance with the Bankruptcy Law. Or terminating it and commencing the liquidation procedure or the administrative liquidation procedure for the issuer in accordance with the Bankruptcy Law.

b. The issuer shall commit to disclose any material developments included in the reports it provides during the commenced financial restructuring procedure in accordance with the Bankruptcy Law, unless the officeholder, the bankruptcy committee or the competent authority decides that such developments are confidential according to paragraph (1) of Article 10 of the Implementing Regulation of the Bankruptcy Law issued by Council of Ministers’ resolution Number (622) dated 24/12/1439 H.

c. Trading of listed securities of an issuer with accumulated loss reaching 50% or more of its paid-in capital shall be suspended upon registering the application for the commencement of a financial restructuring procedure with the court in accordance with the Bankruptcy Law.

d. The suspension of trading pursuant to paragraph (c) of this resolution shall be lifted upon the issuance of the court’s decision ordering the commencement of the financial restructuring procedure for the issuer in accordance with the Bankruptcy Law, unless the issuer is banned from carrying out its activities by the relevant competent authority.

e. The suspension of trading pursuant to paragraph (c) of this resolution shall continue if the court issues its decision rejecting the commencement of the financial restructuring procedure for the issuer in accordance with the Bankruptcy Law, until the expiry of the period specified in Article (150) of the Companies Law, or, prior to that, upon reduction of accumulated losses of the issuer to become below 50% of its paid-in capital.

f. The issuer’s securities will be delisted upon the issuance of the court decision terminating the financial restructuring procedure and commencing the liquidation or administrative liquidation procedure for the issuer in accordance with the Bankruptcy Law.

THE CAPITAL MARKET AUTHORITY RELEASES AN ELECTRONIC SERVICE FOR THE DISCLOSURE OF A DECEASED’S INVESTMENT ASSETS

The Capital Market Authority (CMA) has released an electronic service for the disclosure of a deceased’s investment assets. This service enables the heirs or their legal agent to review the data of securities and investment accounts that belongs to the deceased person via direct link with the Depository Center and the Authorised Persons. This comes as a part of developing the financial market framework, facilitating the disclosure procedures and helping the heirs in expediting the completion of procedures for the registering the heirs of the deceased.

This service enables the heirs to submit applications for the disclosure, according to specific conditions, via CMA’s official website, in addition to the possibility of accessing the deceased investment informa-

tion at any time. The heirs of the deceased (included in the deed of heirs) or the legal agent of the heirs can apply for the electronic service by submitting an application, which shall include a clear copy of the deed of heirs, and a copy of the death certificate of the deceased both in PDF format, in addition to the National ID number of the heir – if he is a citizen – or the Iqama number – if he is a resident. In case the applicant is an agent, it must include the number of the power of attorney and a copy of the power of attorney in PDF format. In any case, the applicant must have (Absher) Account to verify its data.

In this regard, CMA Deputy of Legal Affairs and Enforcement Mr. Bader Balghonaim stated that the electronic service aims to facilitate the process of submitting the application for the disclosure of a deceased's investment assets and expedite the procedures of such requests. He further noted that this service will enable the submission of the application and reviewing of its information in any time without the need for visiting CMA's headquarters. He stated also that after receiving the application electronically, the applicant's information will be verified, followed by responding to the applicant with information received from the Depository Center and Authorised Persons.

It's worth mentioning that CMA used to receive enquiries applications regarding the deceased's investment assets by the interested parties by visiting CMA's headquarters. The CMA has received more than 500 requests during 2017G, the number has increased on the following year, 2018G, in which it reached more than 600 requests, an increase by 20%.

Announcement of Publishing the Rules on the Offer of Securities and Continuing Obligations for Public Consultation.

In continuance to the Authority's role in regulating and developing the Capital Market, and in line with the Saudi Vision 2030, and in accordance with the Capital Market Law issued by Royal Decree number (M/30) dated 02/06/1424H, the CMA Board issued its resolution on 1/9/1440H corresponding to 6/5/2019G to publish the proposed amendments to the Rules on the Offer of Securities and Continuing Obligations, for public consultation, for a period of 30 calendar days ending on 2/10/1440H corresponding to 5/6/2019G.

The proposed amendments to the Rules on the Offer of Securities and Continuing Obligations comes in line with the Authority's objectives to regulate and develop the Capital Market, and the efforts of the Authority and the Saudi Stock Exchange Company (Tadawul) to encourage foreign issuers to list their shares in the Main Market, promote the trading and listing in the Parallel Market and enable direct listing of shares in the Parallel Market. The amendments come at the same time with the proposed amendments to the Listing Rules issued by the Saudi Stock Exchange Company (Tadawul) to this regards, and which will be published for public consultation in concurrence with the publication of the Rules on the Offer of Securities and Continuing Obligations for the same purpose.

The most prominent amendments to the Rules on the Offer of Securities and Continuing Obligations are as follows:

- Regulating the registration of shares for direct listing in the Parallel Market by indicating the provisions and requirements related to the application for registration of shares in the Parallel Market and the information required upon submitting such application to Authority, and adding Annex 20(a) regarding the registration document and Annex 7(b) regarding the issuer's acknowledgement upon applying for the registration of its shares in the Parallel Market.
- Changing the disclosure requirement of the first, second, and third interim financial statements of the financial year of an issuer whose shares are listed in the Parallel Market to the semi-annual interim financial statements of an issuer's financial year.
- Adding a requirement obliging the issuer seeking registration and offering of its shares in the Parallel Market or the registration of its shares in the Parallel Market to submit along with its application to the Authority electronic copies of the acknowledgement and an undertaking signed by the board of directors of the issuer and by each proposed director of the issuer in the form set forth in Annex 8 of the Rules on the Offer of Securities and Continuing Obligations.
- Amending paragraph (c) of Article 69 of the Rules on the Offer of Securities and Continuing Obligations to include termination of a director's membership in the board of directors or director's dismissal from the board of directors, and termination of any of the audit committee's

membership.

- Stating the provisions of the Rules on the Offer of Securities and Continuing Obligations, which a foreign issuer who submits an application for the listing its shares in the main market pursuant to the Listing Rules the, must comply with.

CMA ADOPTS THE AMENDMENT OF THE CORPORATE GOVERNANCE REGULATION

The Board of the Capital Market Authority (Authority) issued its resolution on 15/09/1440H corresponding to 20/05/2019G adopting the Amended Corporate Governance Regulations in light of the amendment of the Companies Law issued by Royal Decree number (M\79) dated 25/07/2018G. The amended Regulations will be effective upon their publication date. These amendments come in continuance to Authority's objectives to regulate and develop the Capital Market and contribute to achieving its strategic objectives by enhancing confidence and raising the level of governance in the Capital Market.

Among the most prominent amendments on Corporate Governance Regulations are the amendment of paragraph (3) of Article 46 which states after the amendment the following: "the chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in, after the Board assesses the board member's competition with the company's business or if he/she is in competition with one of the branch activities that it conducts in accordance with the standards issued by the Ordinary General Assembly upon a proposal from the Board and published on the company's website, provided that such businesses are assessed on annual basis." This amendment aims to clarify the General Assembly's power in approving the issuance of standards for the competition of the Board Member with the company's businesses or with any of its activity branches, proposed by the Board of Directors.

Mr. Bader Balghonaim, CMA Deputy of Legal Affairs & Enforcement, has stated that these amendments came in line with the amendments made to Article 72 of Companies Law issued by Royal Decree number (M/79) dated 25/07/2018G, which granted the competent authorities to establish rules for the authorisation of a Board Member's engagement in any business that may compete with the company or with one of its activity branches.

He also pointed out that the Authority, upon the amendment of Article 46 of the Regulations, took into account the protection of shareholders' rights and the powers of the General Assembly. The amendment has granted the General Assembly the right to issue competition standards for the competition of the Board Member with the company's businesses or with any of its activity branches, based on the Board of Directors proposal. That is in order for the General Assembly to ensure and review these standards and their suitability to the Company's activities.

The Authority clarified that it has carefully studied all the opinions and observations received during the public consultation period from the public and concerned people to Governance Regulations, in which the Authority has received between period 19\11\2018 – 19\12\2018G. The Authority would also like to thank all those who contributed their views and observations during the period of public consultation.

CMA ADOPTS THE AMENDMENT OF THE REGULATORY RULES AND PROCEDURES ISSUED PURSUANT TO THE COMPANIES LAW RELATING TO LISTED JOINT STOCK COMPANIES

The Board of the Capital Market Authority (Authority) issued its resolution on 15/09/1440H corresponding to 20/05/2019G adopting the amended Regulatory Rules and Procedures Issued pursuant to the Companies Law relating to Listed Joint Stock Companies, to be effective upon their publication date. These amendments come in continuance to Authority's objectives to regulate and develop the Capital Market and contribute to achieving its strategic objectives by enhancing confidence and raising the level of governance and disclosure in the Capital Market.

Among the most prominent amendments on the Regulatory Rules and Procedures are the amendment of Part 4 Buy-back, Sale, Pledge of Shares. This amendment intends to facilitate the company's purchase of its shares, and as the Exchange quarterly discloses the listed companies' buy-back of its shares. The amendments also include adding a new part to the Regulatory Rules and Procedures which provides an authorisation framework for the businesses and contracts that are executed for the company's account in which a board member has direct or indirect interest pursuant to Article 71 of Companies Law, which was in light of the amendments on

the Companies Law issued by Royal Decree number (M/79) dated 25/07/2018G.

The amendments to Part 4 Buy-back, Sale, Pledge of Shares include deleting the article in which obligating a Company, upon completion of each phase, to announce to the public the results of the Share buy-back transaction at least half an hour prior to the start of the trading session on the day following the completion of each phase of the buy-back transaction. The amendments also include requiring the company to immediately notify the Exchange of its transactions related to shares buy-back and the purpose of such buy-back in order for the Exchange to publish the shares buy-back transactions in the listed companies shares buy-back periodic report.

In regards to the authorisation framework for the businesses and contracts that are executed for the company's account in which a board member has direct or indirect interest pursuant to Article 71 of Companies Law, the amendments include granting the General Assembly the right to delegate its authorisation powers stipulated in paragraph (1) of Article 71 of the Companies Law to the company's Board of Directors, provided that the delegation is in accordance with the following conditions: (The total amount of business or contract or the total of the businesses and contracts during the fiscal year - is less than (1%) of the company's revenues according to the latest audited financial statements and less than 10 million Saudi Riyals, the business or contract falls within the normal course of the Company's business, the business or contract shall not include preferential terms to the board members and shall be in accordance with the same terms and conditions followed by the company with all contractors and dealers, and the business or contract shall not be part of the business and consultation contracts which a board member carries out by a professional license for the company in accordance with Article 3 of Regulatory Rules and Procedures). If these conditions are not fulfilled, an authorisation from the Ordinary General Assembly must be obtained.

Mr. Bader Balghonaim, the CMA Deputy of Legal Affairs & Enforcement, has stated that regulating the authorisation for the transactions and contracts that are executed for the company's account in which a board member has a direct or indirect interest comes in line with the amendments made to Article 71 of the Companies Law issued by Royal Decree number (M/79) dated 25/07/2018G, which grant-

ed the competent authorities to establish rules for the authorisation of transactions and contracts that are executed for the company's account in which a board member has interest. He also pointed out that the Authority, upon the preparation of the Rules for Authorisation, took into account the protection of shareholders' rights and safeguarding the powers of the General Assembly on one hand; and on the other hand, it aimed to achieve flexibility in obtaining the authorisation by enabling the General Assembly to delegate the authorisation of the Board of Directors in accordance with the conditions specified in the Regulatory Rules and Procedures, beside any other additional terms that the Ordinary General Assembly may specify.

The Authority clarified that it has carefully studied all the opinions and observations received during the public consultation period from the public and concerned people to the Regulatory Rules and Procedures, in which the Authority has received between period 19\11\2018 - 19\12\2018G. The Authority would also like to thank all those who contributed their views and observations during the period of public consultation.

THE CMA APPROVES THE INSTRUCTIONS FOR THE FOREIGN STRATEGIC INVESTORS' OWNERSHIP IN LISTED COMPANIES

The Capital Market Authority's (CMA) Board approved the Instructions for the Foreign Strategic Investors' Ownership in Listed Companies (the Instructions), which will be effective as of the date of their publication. These Instructions are aimed at the foreign legal person who intends to own a strategic shareholding in the listed companies, and for which the aim is to promote the financial or operational performance of the listed companies on the long-term (foreign investor).

Among the most prominent aspects and features of the Instructions are that they allow the non-financial foreign investor to invest in the Saudi capital market after it was focused on financial investors; in addition to not setting a maximum or minimum limit on the ownership percentage of the foreign investor in the listed companies, accompanied with the ease in the procedures for opening accounts and owning shares through the Authorized Persons. Further, the instructions takes into account the imposition of a prohibition period on the foreign strategic investor in respect of disposing of any shares he owned

during the two years following the date of ownership of those shares. In this regard, H.E. Mr. Mohammed bin Abdullah Elkuwaiz, Chairman of the Capital Market Authority mentioned, “the CMA has approved these Instructions as part of opening the capital market and the Saudi economy to the outside world, as we noticed a growing interest from foreign strategic investors to invest in companies listed on the Saudi Stock Exchange”.

Mr. Elkuwaiz further added, “the Instructions are complementary to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, approved by the CMA in 2015G and which has witnessed numerous developments since they came

into effectivity. However, while the Rules are targeting the qualified foreign financial institutions (Financial Investor), these Instructions are concerned with foreign strategic investors”.

It is worth mentioning that since the beginning of 2019, the Saudi Stock Exchange has witnessed increasing foreign cash flows after the beginning of the Saudi Stock Exchange inclusion tranches in the emerging markets indicators. The number of qualified foreign investors increased by 163.7 per cent to become 1,195 investors as of 20/06/2019G, compared to 4.7% at the beginning of this year.



TUNISIA

FINANCIAL MARKET COUNCIL

LEGISLATION

1. Enactment of the Law dated 29 May 2019 relating to the improvement of the investment climate. This Law was mainly designed to address the deficiencies identified in the Doing business report of the World Bank that assesses the different countries ‘investment climate and to comply with the international standards in this respect. This transversal law was focused on the enhanced simplification of the regulatory framework governing the economic activities and reducing the administrative procedures related to projects and companies’ launching in addition to defining the governance good practices for existing companies and diversifying the financing sources.

2. Enactment of the Governmental Decree dated 17 May 2019 relating to the implementation measures of the United Nations relevant structures ‘resolutions regarding terrorism financing fighting and non proliferation of weapons of massive destruction, repealing and replacing the Governmental Decree dated February 1st, 2019 and later amended and supplemented by the Governmental Decree dated 31 May 31 2019; &

3. Enactment of the Law dated 30 April 2019 relating to the audit court “La Cour des Comptes” and defining the audit court remit, organization and the applicable proceedings.

SUPERVISION

* Continuation of the implementation of the MENA-FATF action plan and preparation for the upcoming on-site inspections scheduled for mid September 2019;

* Deciding trading halts against public companies on the ground of incompliance with the information disclosure requirement (Only one company against (2) in Q1 of 2019).

INTERNATIONAL COOPERATION

- Receiving, in mid April 2019 and at the CMF headquarters, a Mauritanian delegation of chartered accountants interested in getting a better knowledge about the Tunisian securities regulator and the applicable methods of financial information oversight;

- Taking part in April 2019 in the OECD – MENA working group on corporate governance meeting in Paris. This meeting discussed, among other things, the following topics:

- Implementing Corporate Governance in MENA: a driver for investment and economic growth

- Developing strategies to improve access to capital

- Taking action for greater transparency and disclosure
- Making it happen: gender balance in corporate leadership
- Implementing change to boost the corporate governance of state-owned enterprises

- Implementing the Principles: Regulation versus corporate culture
- Future steps for co-operation between the OECD and MENA economies.

MARKET PERFORMANCE AS AT 17 JUNE 2019 (M US \$)

SECONDARY MARKET				CISs	
No. of listed Companies	Market capitalization (M US \$)	Tunindex	Foreign share/ market cap	No. CISs	Net Assets (M US \$) <small>(as at June 14th, 2019)</small>
82 Companies: 69 on the main market and 13 on the alternative market.	8,090	7 081.56	25.3%	123 CISs	1,354



UNITED ARAB EMIRATES

UPDATE FROM SECURITIES AND COMMODITIES AUTHORITY

SCA AND NASDAQ DUBAI ORGANIZE JOINT AWARENESS-RAISING SEMINAR ON TRADING DERIVATIVE CONTRACTS IN DOMESTIC MARKETS

The Securities and Commodities Authority (SCA) and Nasdaq Dubai organized a new awareness-raising seminar for investors and market participants as part of a joint awareness-raising program launched recently. The seminar is intended to raise the awareness of market participants and interested parties with respect to derivatives trading. Derivatives are trading instruments that can help to diversify the trading options available to investors.

The seminar took place at the Abu Dhabi Securities Exchange (ADX) and was presented by Ayman Al Satari, Head of Membership and Brokerage Services at Nasdaq Dubai. It dealt with a number of important topics, most notably key information about financial markets; types of tradable investment assets, such as corporate stocks, bonds, and sukuk; and types of asset derivatives, such as futures and options. It also distinguished the difference between various invest-

ment assets. The seminar introduced participants to new financial instruments that investors can trade in world markets, including futures and options, and highlighted the key differences between these instruments in terms of prices, settlement mechanism, and the obligations of the parties to the contract. It addressed the characteristics and risks of derivative contracts, including futures. Participants were introduced to the ways in which futures and options may be traded, whether investors have bullish or bearish expectations of the markets, while understanding price movements and how to calculate the price of the derivative and its relation to the price of its underlying asset.

The seminar assessed derivatives trading strategies, hedging strategies, and key investment risks. At the end of the seminar, the lecturer reviewed the characteristics of Nasdaq Dubai’s single futures.

FINANCIAL MARKETS ADVISORY COUNCIL DISCUSSES ENHANCING AND PROMOTING THE ROLE OF MARKET MAKERS

Under the patronage of and in response to directives from H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and Chairman of the Securities and Commodities Authority (SCA), the Financial Markets Advisory Council held its third meeting in Abu Dhabi. During the meeting, representatives from SCA's partners—including regulatory authorities, markets, and financial services companies—were consulted on a number of topics associated with the securities industry.

The meeting was opened by H.E. Dr. Obaid Al Zaabi, CEO of SCA, who noted, in his speech, SCA's initiatives and priorities for the coming years and the procedures implemented for the issuance of its new law in line with the best international practices. Partners in the securities industry have been already informed of the law and their feedback was taken into consideration prior to its approval by the concerned authorities.

Dr. Al Zaabi also said that SCA is working closely with financial markets to meet the requirements for the upgrade to developed-market status and that it has come a long way to do so. It introduced a wide range of initiatives that included the implementation of the self-regulatory model in the UAE-based financial markets. As a consequence, SCA vested in these markets a number of powers relating to margin trading, direct market access, online trading, and market making.

The meeting concluded with a number of recommendations, including the need for coordination to enable market makers to select securities for market making while achieving balance between liquid and less liquid securities. Among the recommendations were organizing workshops aimed at raising awareness of the role of market makers as liquidity providers, drafting regulations relating to consolidated accounts, increasing free float to enhance market liquidity, the importance of a clearing company consistent with the requirements for market upgrade, and making fixed income instruments—such as bonds—available to retail investors.

Participants in the meeting reviewed a presentation on enhancing and promoting the role of market makers and that of institutions offering comprehensive and integrated services. They also reviewed a road map for launching derivatives as new financial products in the UAE-based capital markets.

As to maximizing the role played by market makers, participants were briefed on SCA's efforts to have the market operational rules approved through meetings and communications with market makers to identify and counter the challenges and obstacles faced.

As to consolidated accounts, participants were briefed on the discussions held with the markets to draft regulations for this type of accounts and to develop solutions to handle relevant caveats. They were also briefed on the efforts made in coordination with these markets to draft operational requirements for consolidated accounts, according to an agreed-upon legal framework.

Dr. Al Zaabi stressed that SCA's plan for transforming brokerage companies into integrated financial services companies—thus enabling them to diversify their activities and increase their revenue sources—is intended to create a competitive environment for financial services companies to ensure the highest standards of excellence. This, in turn, will allow investors to opt for the most distinct and committed financial services providers that deliver “decent” and “transparent” services. It will also ensure record levels of institutional maturity that enable financial services companies to compete with their counterparts in developed markets. This will help to keep pace with the remarkable progress witnessed by the UAE-based markets towards the upgrade to developed-market status. It will diversify income sources, reduce reliance on oil revenues, diversify operational risks, and match governance requirements with systemic risks and disclosures relating to money laundering and terrorism financing.

Dr. Al Zaabi said that the discussions held with representatives from brokerage companies dealt with the diversification of income sources such that they are not limited to commissions earned from the buying and selling of shares but go beyond that to the profits these companies make from account management fees, investment consultancy fees, portfolio management fees, proceeds from the sale of data and information, fees and costs of financing margin trading, underwriting fees, trading commissions, and fees from other transactions.

As to the fourth item on the meeting's agenda concerning the launch of derivatives in the markets operating in the country, the presentation indicated that SCA has already issued derivatives regulations

in 2018. It demonstrated SCA's efforts aimed at improving derivatives markets and regulating OTC participants.

Dr. Al Zaabi reviewed the fifth item on governance, taking into consideration that the UAE is among the ten best countries in the world on the minority shareholder protection index in the World Bank's global competitiveness reports. SCA introduced some development initiatives, including sending invitations to investors to attend general meetings via short text messages and emails. It created a webpage dedicated for young investors by enhancing their awareness of their rights and responsibilities. SCA is currently working to update governance controls and bringing them in line with the best international practices by adopting current practices, such as those concerning integrated reports; sustainability; environmental, social, and governance criteria; and women's representation on corporate boards. Dr. Al Zaabi stressed that as usual SCA will publish the draft regulations for industry feedback before having them approved.

In response to directives from SCA's board to conduct ongoing coordination with the financial industry partners and related parties to implement plans associated with SCA's priorities that were approved by the board earlier, the key priorities associated with SCA's projects and initiatives were reviewed. The priorities included upgrading the markets to developed-market status and to sustainable financial markets, finding a leading Islamic capital market and an advanced governance system that is in line with the best international practices, regulating financial technology and initial coin offerings (ICOs), developing innovative solutions for regulating and supervising capital markets, providing unconventional resources for small- and medium-sized enterprises, maintaining the UAE status as one of the ten best countries in competitiveness (minority shareholder protection index). The initiatives also include launching joint initiatives with financial markets to increase market liquidity and liquidity volume.

SULTAN AL MANSOORI LAUNCHES SCA'S E-SERVICES SYSTEM

As part of its strategic orientation to adopt and implement the standards of innovation and excellence, H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and Chairman of the Securities and Commodities Authority (SCA), launched SCA's im-

proved e-services system on the sidelines of a board meeting held in Dubai.

The new system covers SCA's internal procedures and serves all targeted segments, including brokers, mutual funds, investors, financial services companies, and securities and commodities markets. Work is underway to launch a new wave of e-services over the coming period. The services will cover SCA's Professional Training and Examinations Centre, the Enforcement Department, the Issuance and Registration Department, Market Supervision Department, and the Supervision and Compliance Department.

Following the launch of the new system, Al Mansoori said that using smart applications to enhance SCA's e-transformation comes at the top of the strategic projects approved by the board. He added that SCA's e-services system is based on the automation of processes and the integration of procedures relating to the provision of services to the public and the customers through smart devices. This will help to realize the wise government's vision to develop the electronic infrastructure of government bodies and institutions. It will also help to promote the country's efforts to raise its international ranking in terms of competitiveness in government services.

Al Mansoori said that the e-services system comes in response to the UAE Vision 2021. He added that SCA was among the first to implement the new initiative and to provide creative services to facilitate customer transactions by automating services and diversifying service channels. This can be achieved through the development of an institutional and electronic infrastructure that ensures that new and existing services are delivered in a highly effective and efficient manner and in line with the best international practices.

For his part, Dr. Obaid Al Zaabi, CEO of SCA, reiterated that SCA's e-services system is intended to facilitate the transactions of customers and market participants and to ensure the provision of highly efficient, round the clock services that satisfy their needs. He said that the system helps to save effort, reduce costs, provide data and innovative services, and improve satisfaction with SCA's services.

The new improved and reengineered e-services are part of an ambitious program. The first phase focused on making licensing operations and services

totally paperless, in accordance with the federal government's strategies and plans. Many procedures were integrated in a way that a single procedure can be used to get more than one service.

The new system was developed using AppWorks platform, Business Process Management Application Tools, Digital Process Automation, and Dynamic Case Management, in cooperation with OpenText and Xerox ME.

AppWorks efficiently brings information from core enterprise systems and other business partners in a single platform to allow end users to interact with information in a way that makes sense to them. According to the plan in place, robust integration is under way with the Ministry of Economy, economic development departments across the emirates, Emirates ID, Al Etihad Credit Bureau, and many others to ensure that the necessary information for the issuance of licenses are received in a highly efficient manner.

SCA'S BOARD APPROVES PROPOSED MECHANISM TO CALCULATE ADEQUACY STANDARDS FOR MANAGEMENT COMPANIES AND INVESTMENT MANAGERS

Studying regulating the transfer of jurisdiction over financial and monetary intermediaries to SCA in coordination with the UAE Central Bank

Examining a report about the financial analysis of listed companies and ADX's and DFM's sectors for 2018

The board of the Securities and Commodities Authority (SCA) held its ninth meeting, chaired by H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and Board Chairman, at SCA's Dubai office. The meeting discussed a number of initiatives aimed at the development of securities-related financial services in line with the best international standards and practices. The meeting dealt with a number of important matters relating to the securities sector, including:

Adequacy standards for management companies and investment managers

The board approved a study on the adequacy standards for management companies and investment managers and gave companies a grace period for compliance. The adequacy standards regulations

comprise nine articles outlining the scope of application, capital adequacy, credit risk, operational risk, market risks (managed assets), risk management and control, penalties, compliance, and term.

In its eighth meeting held on March, the board instructed that a study be conducted about the extent of compliance of licensed management companies and investment managers with the adequacy standards and the costs that they will bear if the proposed standards are implemented. The study showed that there are no binding provisions on adequacy standards up until now and no additional fees will be imposed on management companies and investment managers as a result of the implementation of the proposed standards.

The study stated that the purpose of developing adequacy standards for management companies and investment managers is to protect investor assets and to promote the stability of the financial system by supervising systemic risks on the corporate level, which is a key requirement by the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO). The proposed regulations seek to complement existing regulations as Article 26(22) of the SCA Board Chairman's Decision No. (9/Chairman) of 2016 concerning Mutual Fund Regulations states that the management company shall: "maintain the solvency required to practice the business to ensure its stability and meet its obligations as per the relevant criteria issued by the Authority".

As part of SCA's efforts to improve the country's financial sector, the board examined a study by SCA's management concerning regulating the issuance of asset-backed securities (securitization), which are the processes by which the originator sells and transfers individual and pooled assets to a special purpose vehicle, or SPV, which typically takes the form of a limited liability company that issues tradable securities backed by these assets. The board issued a directive concerning coordination with the competent authorities to amend the relevant legislation in a manner that allows the issuance of regulations relating to such products.

The transfer of jurisdiction over financial and monetary intermediaries to SCA

The board also ordered the conduction of a study on regulating the transfer of jurisdiction over financial

and monetary intermediaries to SCA and another study on regulating the business of these intermediaries in coordination with the UAE Central Bank. This will be done through an action plan that enables these intermediaries to come under SCA's jurisdiction following the provision of the proper legal cover, while studying the consequences of regulating and supervising these companies.

Report on the financial analysis of listed and brokerage companies

To follow up on the conditions of local listed public joint-stock companies to ensure their financial stability and to implement Federal Law No. (2) of 2015 concerning Commercial Companies, the board reviewed a report on the financial analysis of listed public joint-stock companies and the sectors at the Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM).

The board also reviewed a report on the financial analysis of ADX's and DFM's licensed financial brokerage companies, which have disclosed their 2018 financial statements.

SCA's relation with associated parties

The board reviewed a report on SCA's relation with associated parties most notably the Prime Minister's Office, the UAE Central Bank, Ministry of Economy, Ministry of Finance, Ministry of Justice, Ministry of Interior, the Federal Competitiveness and Statistics Authority, the Federal Authority for Government Human Resources, economic development departments, ADX, DFM, the Dubai Gold and Commodities Exchange, brokerage companies, the Dubai Financial Services Authority, the Abu Dhabi Global Market, educational institutions, IOSCO, and the other regional and international bodies, including counterparts.

SCA ISSUES DECISION ON ADEQUACY STANDARDS FOR INVESTMENT MANAGERS AND MANAGEMENT COMPANIES TO PROTECT INVESTOR ASSETS AND PROMOTE FINANCIAL SYSTEM STABILITY

SCA issues decision on adequacy standards for investment managers and management companies to protect investor assets and promote financial system stability

H.E. Dr. Obaid Al Zaabi, CEO of the Securities and Commodities Authority (SCA), issued a decision

concerning capital adequacy standards for investment managers and management companies. The decision will enter into force 30 days from the date of its publication in the official gazette. Companies will be given a one-year grace period for compliance. This decision came after the SCA board has approved, in its last meeting, a study on adequacy standards for management companies and investment managers. The study was aimed at protecting investor assets and promoting the stability of the financial system through monitoring systemic risks, which is a key requirement by the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO).

The decision includes nine articles on the scope of application, capital adequacy, credit risk, operational risk, market risk (managed assets), risk control and management, penalties, compliance, and entry into effect.

Article 1 of the decision stipulates that investment managers and management companies must demonstrate ongoing compliance with the adequacy standards provided therein, in accordance with the calculation methods outlined in the form prescribed by SCA.

Capital Adequacy

Article on capital adequacy stipulates that:

1. The investment manager and the management company must allocate capital to cover credit risk, market risk, and operational risk, even if not included as balance sheet items, in accordance with the ratios specified in Articles 3, 4, and 5 of this decision.
2. For the purposes of capital adequacy calculation, capital is classified as follows:
 - a. Tier one capital (core capital).
 - b. Tier two capital (supplementary capital).
 - c. Tier one capital should not be less than tier two capital.

Credit, Operational, and Market Risk

The article on credit risk stipulates that the capital allocated to cover credit risk must not fall below 14% of the calculated amounts, according to the form prescribed for the purpose of capital adequacy calculation.

Article 4 on operational risk includes risks resulting from inadequate or failed internal regulation, employee errors, or external events, including legal risk. It stipulates that the capital allocated to cover operational risk must not fall below 25% of the total expenses shown in the results of previous fiscal year. The article on market risk (managed assets) states that the capital allocated to cover market risk (managed assets) must not fall below 0.02% of the value of these assets.

Penalty and Risk Control and Management

Article 6 on risk control and management stipulates that the investment manager and the management company must incorporate an effective mechanism and enforceable accounting and administrative procedures into its internal control system to manage and control risks the company may be exposed to. Article 7 on penalties stipulates that violators of the provisions of this decision will be subject to penalty, in line with Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market and the regulations issued thereunder.

SCA RELEASES AN AWARENESS-RAISING PUBLICATION ON SUSTAINABLE INVESTING

As part of its efforts to support the national sustainability agenda and to bring the UAE-based financial markets on par with international markets, the Securities and Commodities Authority (SCA) released a publication, titled: "An Introduction to Sustainable Investing" on its website. This is part of a new move that sets the stage for the implementation of SCA's plan for sustainable capital markets launched early this year. The plan followed SCA's last year's announcement of an initiative to form a platform for carbon emissions trading.

The publication covers a number of key areas, including the meaning of sustainable investing, its importance in making long-term returns, its positive implications for the environment and the economy, its objectives, and the main differences between sustainable investing and the other types of investments.

This electronic publication examines the incentives that motivate the community to shift to sustainable investing, such as values and beliefs. It addresses the approaches used in sustainable investing and the fi-

ancial instruments available to investors.

The publication sheds light on the challenges facing investors in terms of the lack of information available about corporate sustainability practices; difficulties associated with regulatory, technical, and commercial risk; the lack of investment opportunities that are consistent with sustainable investment criteria; and the lack of experience in this field.

SCA seeks to fully complete the implementation of its plan for sustainable capital markets by mid-2020. The detailed strategy included in this plan represents the corner stone in the move towards a national capital market that supports sustainability. Completion of this plan requires the combined efforts of all related actors to help it reach its full potential and put the UAE-based capital markets at the forefront in this field.

AMENDMENT OF THE REGULATIONS ON TRADING, CLEARING, SETTLEMENT, TRANSFER OF OWNERSHIP AND CUSTODY OF SECURITIES

Amendment of the Regulations on Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities.

Approving the rules governing the accreditation of in-kind share evaluators of public joint-stock companies.

SCA is among the top ten federal government bodies in a positive work environment.

Adoption of the Guide to the Regulatory Philosophy of the Securities and Commodities Authority .

The board of directors of the Securities and Commodities Authority (SCA) held its tenth meeting, chaired by H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and Board Chairman, in Dubai.

The meeting discussed a number of initiatives aimed at developing the financial activities and services related to the securities sector in the UAE to match the best international standards and practices. The meeting addressed, according to the agenda, a number of important subjects and issues related to the securities sector, as detailed below:

Amendment of the Regulations on Trading, Clearing, Settlement, Transfer of Ownership and Custody

of Securities

As part of SCA's and the markets' endeavors to develop the financial sector and upgrade the local markets from "emerging" to "advanced" by meeting the standards of the indices providers and based on the recommendation and request of the Market Promotion Committee composed of SCA and the financial markets in the country, SCA's board approved the amendment of the provisions of Articles (31) and (34) of the Authority's Board of Directors' Decision No. (2/R) of 2001 regarding the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities, which regulate the dates and mechanisms of settlement in the trading in the financial markets in the country, noting that the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM) were coordinated with in this regard. The board approved the subject under discussion on the agenda, taking into consideration that the amendment is commensurate with the requirements for the promotion of the country's financial markets on the MSCI indices.

The amendment adopted by the board to Article (31) allows to grant the clearing house (which is the entity that carries out settlement operations and issues orders of payment of the monies due to customers) the power to change the date and mechanism of settlement in accordance with the criteria for facilitating market accessibility as this is an administrative procedure in the market related to a regulatory mechanism that gives flexibility and authority to set the procedure and the time required for the broker\ clearing member to pay off the amounts owed by them in a way that is commensurate with the nature of trading operations in each market.

The amendment to Article (34) of the regulations provides the clearing house with flexibility and authority to set the procedure and the time required to pay the amounts owed to the broker/clearing member in accordance with the nature of the trading operations in each market.

Controls for the accreditation of the in-kind share evaluators for public joint-stock companies

In view of the SCA's keenness to develop the legislation that regulates the operation of the financial markets in the country, and given that SCA reviewed the regulations and legislation regulating the trading of securities on a periodic basis in order to ensure compliance of these regulations with the

levels of development in the international markets, SCA's board approved the amendment of Articles (1) and (26) of the SCA's Board Chairman's Decision No. (11/Chairman) of 2016 regarding the Regulations for Issuing and Offering Shares of Public Joint Stock Companies, in particular, the rules governing the accreditation of the in-kind share evaluators for public joint-stock companies.

The amendment to Article (1) of the regulations is made in order for the definition to conform to what is stated in Article (26) of the same regulations. Clause (B) in Article (26) of the regulations was also amended and deleted from the definition of the in-kind share evaluator. Hence, the text includes all the forms that address the evaluation tasks, while the experience clause has been added to the same article to ascertain the efficiency of the in-kind share evaluator by verifying his/her experience in evaluating the in-kind share in order to protect shareholders' funds by reaching fair values for in-kind shares.

Guide to SCA's Regulatory Philosophy

In application of the best international practices on clarifying the scope and role of regulatory authorities in financial markets, the board reviewed a guide prepared by SCA entitled, "Regulatory Philosophy of the Securities and Commodities Authority". This guide aims at clarifying the scope and philosophy of SCA to rely on the basic principles adopted in all its activities to fulfill its mission, values and strategic objectives and to provide an overview of the regulatory policies adopted by it in the capital markets sector in order for it to serve the interests of the national economy in accordance with the UAE's Vision 2021 and the future vision associated with the UAE Centennial 2071. The guide includes many points such as SCA's strategic objectives, SCA's powers, the concept of organization in SCA, SCA's regulatory functions, the basic principles of SCA's regulatory policies philosophy, competitiveness, future prospecting, disclosure and transparency, governance of the SCA's design and preparation of legislation process, financial inclusion, innovation and sustainability, awareness, investor protection, investors empowerment, monitoring and compliance, enforcement and adjudication of complaints, and good governance.

Financial Analysis Report for Listed Companies

In order for the board to follow-up on the situation

of listed local public joint-stock companies, and in application of the provisions of the Commercial Companies Law No. (2) of 2015, the board reviewed a report on the financial analysis of these companies and the financial sectors in ADX and DFM for the first quarter of this year and directed to follow up on the situations of these companies and take the necessary procedures in accordance with the law and regulations.

SCA is among the Top Ten Federal Government Bodies in a Positive Work Environment

As part of the continuous follow-ups to the periodic subjects and issues, SCA's board reviewed the results of SCA's 2018 happiness and positivity study, which included upgrading SCA to ninth place to become among the top ten federal government bodies in the positive work environment. SCA also succeeded in raising the positivity rate in the work environment from (73%) to (78%), and job satisfaction from (74%) to (77%). It also made strides in the gender balance index by an improvement rate of (17%), exceeding the government average by eight degrees.

The results of the study also included SCA's success in raising percentage of employees responding to the study to (173) employees compared to (140) in 2017 (i.e. an increase of 9%). The board was informed of the report contents and commended its progress and the high rates of indices.

At the beginning of the meeting, the board reviewed the minutes of the ninth meeting of the sixth session and the follow-up report on the implementation of the resolutions and recommendations issued during the same, and decided to adopt it.

SCA AND DFM PLAN TO LAUNCH A GOVERNANCE INDEX, THE FIRST OF ITS KIND, FOR LISTED COMPANIES

The index is intended to urge listed companies to adopt the highest levels of transparency, disclosure, and social responsibility, in line with the best international standards

In response to directives from the wise government that urges the introduction of innovative initiatives that address the challenges faced in various sectors, H.E. Eng. Sultan bin Saeed Al Mansoori, Minister of Economy and Chairman of the Securities and Commodities Authority (SCA), adopted an initiative by the Dubai Financial Market (DFM) to launch a governance index for joint-stock companies listed on local markets. The idea is to create a benchmark

that measures the level of compliance with the implementation of the principles of wise governance. This will foster and support the rights of shareholders and investors in UAE-based securities markets as they will have knowledge of the companies that comply with the implementation of governance rules before they buy and invest in their stocks.

The ESGUAE index aims at measuring compliance with the implementation of corporate governance and institutional discipline standards across listed companies in an effective, efficient, and professional manner. It also aims to foster the culture of governance and to raise awareness among these companies of the importance of putting into effect the principles of governance and transparency to help them improve their performance, identify current and future challenges, come up with solutions, and make appropriate recommendations by assessing the performance of their boards.

H.E. Al Mansoori said: "The governance controls enforced on public joint-stock companies subject to SCA's decision on the standards of institutional discipline and the governance of public joint-stock companies are intended to urge the implementation of the principles of wise governance through transparency and integrity, thus providing protection to all shareholders while taking into account the interest of the business and limiting the use of power without regard to the public interest. This is based on the key standards and international principles concerning the rules regulating the management of companies developed by the Organization for Economic Co-operation and Development (OECD).

For his part, H.E. Dr. Obaid Al Zaabi, CEO of SCA, said that SCA has been encouraging initiatives that promote the implementation of governance controls and institutional discipline standards through developing mechanisms to enforce corporate governance in accordance with the best international practices, thus contributing to the development of the financial industry and promoting the rights of shareholders and investors in UAE-based securities markets. He explained that SCA has already incorporated into its above-mentioned decision clauses on measuring a sub-index on regulating transactions with related parties (whether board members or the executive management). This stresses the importance of creating an index that measures compliance with the implementation of the principles of wise governance among listed companies.

For his part, H.E. Essa Kazim, Chairman of the DFM, said: “It gives us great pleasure to have our initiative supported by SCA. This is part of the joint efforts intended to improve the financial markets sector and to enhance its competitiveness, especially that the right implementation of governance controls and institutional discipline standards will help to enhance investor confidence and attract capital on the long run. Over the past years, the DFM worked tirelessly to spread the best governance practices across listed companies through programs designed and executed in collaboration with specialized establishments. The DFM made it mandatory to have the board secretaries in listed companies certified. This has resulted, to date, in certifying 49 secretaries already certified by governance institutes”.

The index is the fruit of collaboration between the DFM, Hawkamah, and Standard & Poor’s, which prepared technical studies on this subject. Under

this index, companies will be classified according to qualitative and quantitative measurements and their weight will be determined based on their degree of governance.

The index is premised on the idea of assessing companies by the information they voluntarily disclose to the DFM using around 200 internationally-recognized variables that cover governance, environment, and corporate social responsibility. This is inspired by the wise leadership’s vision that focuses on corporate governance and sustainability, as well as environmental preservation.

According to the study, five criteria were approved for calculating the index, including ownership structure and rights of shareholders, financial statements and operational information, the operating principles of the board of directors, the principles of transparency and disclosure, and the principles of social and environmental responsibility.

END