

2. **ADSM BROKERS, ADSM BROKER'S REPRESENTATIVES AND REGISTRARS**

2.1 **ADSM Broker Requirements**

- (A) Undertaking Brokerage Services is restricted to persons appropriately licensed under the Authority Law and in subordinate legislation.

[Authority Law 25; Broker's Regulation 13]

- (B) An ADSM Broker must comply with the following requirements at all times:

- (1) be registered in the Authority Register of Brokers as the holder of a valid broking licence issued by the Authority;

[Broker's Regulation 11]

- (2) be the holder of a valid licence issued by the UAE Central Bank;

- (3) be registered in the ADSM Register of Brokers as the holder of a valid ADSM Broker Access Licence;

[ADSM Law Article 24]

- (4) be in compliance with the terms of all such licences and the Rules;

- (5) operate its licensed activities through one company and therefore shall not hold shares in any other ADSM Broker;

[Broker's Regulation 3]

- (6) be a corporate person incorporated in the State in accordance with Federal Law No. 4 of 1984 relating to Commercial Companies and at least 51% of its capital must be owned by UAE persons;

[Broker's Regulation 7(1)]

- (7) have a contract of establishment or memorandum and articles of association written in Arabic and notarised before the official authorities;

[Broker's Regulation 7(2)]

- (8) have paid up share capital of at least Dhs. 5,000,000 or such greater amount as the Board may prescribe from time to time;

[Broker's Regulation 7(3)]

- (9) have a valid and enforceable Guarantee substantially in the form of Form A or such other form as the Board may approve from time to time issued by one of the banks registered in the State and approved by the Board payable unconditionally on demand from ADSM in any amount or amounts (in aggregate) of not less than Dhs. 10,000,000 or such other greater amount as may be required or approved by the Board from time to time;

[Broker's Regulation 7(4)]

- (10) have a Broker Settlement Bank Account which does not have a debit balance;

- (11) not carry on any other business other than approved brokerage and those activities which are normally ancillary thereto;

[Broker's Regulation 7(6)]

- (12) have no manager or partner authorised to manage the ADSM Broker or any ADSM Broker's Representatives or any part of its business who has ceased to pay his or her commercial debts even if not declared bankrupt and including a declared bankrupt who has not discharged such bankruptcy or who has been convicted and imprisoned of an offence carrying a prison term for a crime of dishonesty or immorality and such person has not been rehabilitated;

[Broker's Regulation 7(5)]

- (13) employ an Office Manager with tertiary qualifications and relevant professional experience of not less than three years in either banking, finance, investment or accounting businesses;

[Broker's Regulation 7(7)]

- (14) employ at least two ADSM Brokers' Representatives who satisfy the requirements of Rule 2.12;

[Broker's Regulation 7(7)]

- (15) be responsible for and remain liable for actions of its ADSM Brokers' Representatives and other employees;

- (16) the requirements of Rule 2.2(C); and

- (17) such other requirements for ADSM Brokers as the Authority or the Board may from time to time prescribe.

2.2 Application for ADSM Broker Access Licence

- (A) No person shall apply to ADSM for a Broker Access Licence and registration in the ADSM Register of Brokers as an ADSM Broker without first having complied with the provisions of Rule 2.1 (other than Rule 2.1(B)(3), (9) and (10)).

[Broker's Regulations 11]

- (B) Any company who wishes to obtain a Broker's Access Licence and register in the ADSM Register of Brokers shall complete, sign and deliver to ADSM an application in writing using Form B or in such form as the Board may prescribe from time to time. The following may be required to be delivered with the application or during the application process at the request of ADSM:

- (1) a list of all the applicant's employees including the intended ADSM Broker's Representatives (together with specimen signatures and employment contracts of those employees who are authorised signatories of the applicant), together with a statement from the General Police Department in Abu Dhabi stating that each employee has not been convicted of any criminal offence;

[ADSM Law 25]

- (2) a written undertaking as set out on the form that the applicant shall be responsible for the acts of its employees including without limitation its ADSM Broker's Representatives in relation to their activities;

[ADSM Law 25]

- (3) a written undertaking as set out on the form to abide by these Rules and the rulings of the Board and the Authority and to provide to ADSM such information as the Board may require from time to time;
- (4) a certificate from the Central Bank stating the Central Bank has no record of any bad debts of the applicant or its owners;
- (5) a certificate from the Ministry of Justice that the Ministry knows of no reason why the applicant should not operate as an ADSM Broker and the applicant has no outstanding judgements against it;
- (6) a copy of audited annual financial accounts of the applicant for the year ended on a date within 3 months of the date of the application form;
- (7) a copy of the memorandum and articles of association of the applicant and all contracts governing the applicant's constitution together with evidence of the nationality of the shareholders of the applicant;
- (8) details of the electronic management system which the applicant intends to operate under Rule 2.5(B).

- (C) Notwithstanding the foregoing provisions of this Rule, an application for a Broker's Access Licence will only be considered by ADSM if the applicant:

- (1) has, in the opinion of the Board, suitable operating procedures in place and adequately trained staff;
- (2) has paid up share capital of Dhs. 5,000,000 of which Dhs. 1,250,000 is in cash or liquid assets;
- (3) has been licensed by UAE Central Bank to conduct Brokerage Services for at least three years prior to the date of application;
- (4) has at least four full-time employees including two persons who will be Broker's Representatives, who have at least a Bachelor's Degree and at least three years experience in the finance sector, an Office Manager who must comply with the requirement of Rule 2.1(B)(13) and a back office operator;
- (5) satisfies such other conditions prescribed by the Board from time to time.

- (D) The acceptance by ADSM of an application is not a right and acceptance or rejection will be at the sole discretion of the Board. Without limiting the generality of Rule 1.5, ADSM may waive any of the conditions set out in Rule 2.2(C) other than statutory conditions.

[Article 23 ADSM Law]

2.3 **Acceptance or Rejection by ADSM**

- (A) On the acceptance of an applicant's application submitted under Rule 2.2, the fact shall be notified forthwith to the applicant in writing by ADSM together with the type of Brokerage Services which that ADSM Broker may undertake.

[ADSM Law Article 23]

- (B) Notice of rejection of an application submitted under Rule 2.2 shall be given in writing by ADSM to the relevant applicant which has failed to be granted a Broker Access Licence and registration on the ADSM Register of Brokers has been refused.

[ADSM Law Article 23]

2.4 **Additional ADSM Broker Requirements**

- (A) Upon receipt by the applicant of a notice of acceptance from ADSM under Rule 2.3(A), the applicant shall in order to be granted a Broker Access Licence and be registered as an ADSM Broker:

- (1) immediately submit applications for registration of its proposed Broker Representatives in the Register of Broker's Representatives using Form C or such other form as the Board may prescribe from time to time and send its proposed Broker's Representatives for such training and examinations as the Board may direct;

[Broker's Regulations 12 & 13]

- (2) open a Broker Settlement Bank Account which complies with the requirements prescribed by the Board from time to time and notify ADSM of the details of that account in writing;
- (3) deliver the Guarantee to ADSM and ADSM shall deliver a certified copy to the Settlement Bank;
- (4) pay such fees as shall be prescribed by ADSM from time to time.

[ADSM Law Article 23]

2.5 **Issue of ADSM Broker Access Licence and Registration**

- (A) Upon satisfaction of the requirements of Rule 2.4, ADSM shall issue to the applicant the written Broker Access Licence in the form prescribed by the Board from time to time specifying the type of Brokerage Services which the ADSM Broker may undertake and ADSM shall enter the name of the applicant in the ADSM Register of Brokers.

[ADSM Law 24]

- (B) Upon the registration of the ADSM Broker, the ADSM Broker shall within six months thereof operate an electronic portfolio management system approved by ADSM.

- (C) All Broker Access Licences are granted on the condition that the Board reserves the right to suspend or cancel the licence and update the ADSM Register of Brokers accordingly with the approval of the Authority if it deems in its sole discretion that any such action is in the best interests of the Market or its

operations; the Board may cancel the Broker Access Licence and update the ADSM Register of Brokers accordingly with the approval of the Authority if the Board determines that any of the information given by a ADSM Broker in the application is found to have been materially incorrect or contained a material misrepresentation or omission.

[ADSM Law 24]

- (D) No person may provide Brokerage Services or access the System unless that person's name is entered in the ADSM Register of Brokers and that ADSM Broker has a Broker Access Licence. All Brokerage Services shall be undertaken by ADSM Brokers using Broker's Representatives.

[ADSM Law 23 and 24 and Authority Law 25]

- (E) ADSM Brokers and Broker's Representatives must comply with the Authority Law, ADSM Law and all regulations and rules passed pursuant thereto.

[Authority Law 26(1) and ADSM Law 27(1)]

2.6 No Transfer of Licence

The grant of a Broker's Access Licence shall be personal to the relevant ADSM Broker. An ADSM Broker shall not sell, transfer, pledge, mortgage or create any trust, charge or lien or any other encumbrance over the Broker Access Licence or the ADSM Broker's licence from the Authority.

2.7 Ongoing Requirements of ADSM Brokers

- (A) The ADSM Broker shall submit to the Board:

- (1) Annual financial reports audited by a licensed auditor in the State in the form approved by the Board from time to time within three months after the end of the ADSM Broker's financial year;

[ADSM Law 26 and Broker's Regulation 19(6)]

- (2) A half year financial report audited by a licensed auditor in the State in the form approved by the Board from time to time within two months after the end of the first six months of the ADSM Broker's financial year;

[ADSM Law 26]

- (3) A quarterly statement regarding its financial position and informing the Board of any deficiency which affects its financial position;

[Broker's Regulation 19(6)]

- (B) The ADSM Broker shall maintain commercial books and records and use computer systems and other technical equipment according to accounting standards applicable in the State or as specified and approved by the Board and according to the instructions and supervision of the Board from time to time.

[Broker's Regulation 19(5) and ADSM Law 26]

- (C) The ADSM Broker shall obtain prior written consent of the Board to any change of shareholding in the ADSM Broker.

- (D) The ADSM Broker shall notify the Board of any change of Director or Office Manager.
- (E) Each ADSM Broker shall ensure that all Broker's Representatives employed by it comply with the Code of Conduct.
- (F) The ADSM Broker shall ensure that it has internal rules in place to ensure selection of appropriate personnel, educate its employees as to appropriate conduct in carrying out these duties, supervise the activities of its Broker's Representatives and other employees to ensure compliance with the Code of Conduct and these Rules and to operate an appropriate and effective disciplinary system.

[Broker's Regulation 18(2)]

- (G) ADSM Brokers shall refrain from undertaking any activity which may prejudice the reputation of ADSM, the Authority, the Market or any market participant.

[ADSM Law 27(2)]

- (H) ADSM Brokers shall notify the Board of any development or matter which would or might have a material negative impact on its financial position or any breach of the Rules or any other law.

- (I) ADSM Brokers shall, upon written request by the Board to do so, promptly deliver to ADSM a replacement Guarantee in a form and issued by a bank approved at that time by the Board.

- (J) ADSM Brokers shall inform ADSM of the form of advertising campaigns marketing their services to the public before publication of the same.

[Broker's Regulation 18(1)]

2.8 Notification of Changes

The ADSM Broker shall notify the Authority and ADSM of any changes that arise to the information listed in the application for licence submitted by the ADSM Broker to the Authority or in the application for a Broker Access Licence submitted by the ADSM Broker to ADSM or any subsequent information disclosed to the Authority and/or ADSM.

[Broker's Regulation 18(13)]

2.9 ADSM Broker's Representatives

- (A) All ADSM Brokers shall ensure that no person other than those persons whose names appear on the Register of Broker's Representatives shall have access to the System and the trading and clearing facilities of the Market or undertake Brokerage Services.
- (B) No ADSM Broker shall be registered as the Broker's Representative of another ADSM Broker.
- (C) No person shall be registered as the Brokers' Representative of more than one ADSM Broker.
- (D) The ADSM Broker shall notify the Board of any change of Broker's Representative of the ADSM Broker.

2.10 Application for ADSM Broker's Representative

- (A) Every person who wishes to be registered by ADSM as a Broker's Representative shall make an application in writing to ADSM in the form prescribed by the Board from time to time together with a written undertaking to abide by these Rules and the rulings of the Board and rulings of the Authority.
- (B) On approval of the application ADSM shall enter the applicant's name and details in the Register of Broker's Representatives.
- (C) ADSM may grant or withhold such approval at its absolute discretion. In particular but without limitation, no individual shall be approved for registration unless the Board is of the opinion that such individual is a fit and proper person to act as a Broker's Representative.
- (D) Entry by ADSM of the applicant's name and details in the Register of Broker's Representatives is on condition that the Board reserves the right to refuse to grant the Broker's Representative access to the System and/or the trading and clearing facilities of the Market and to remove that person from the Register of Broker's Representatives if it deems in its sole discretion that any such action is in the best interests of the Market and its operation or if the relevant ADSM Broker or Broker's Representative ceases to be registered with ADSM.

2.11 Employment of ADSM Broker's Representatives

- (A) No ADSM Broker shall employ to undertake access to the System and the trading and clearance facilities of ADSM or allow such access to a person who is not registered as a Broker's Representative in the Register of Broker's Representatives. If the name of the Broker's Representative is removed from the Register of Broker's Representatives, the relevant ADSM Broker must dismiss that person from his employment as a Broker's Representative. Every employment contract entered into by an ADSM Broker and a Broker's Representative shall contain a provision to this effect.
- (B) An ADSM Broker must notify ADSM immediately of any change in the nature of employment of a Broker's Representative.

2.12 ADSM Broker Representative Requirements

Without limiting the discretion of the Board to approve or disapprove without giving reasons therefor the registration of an applicant as a Broker's Representative set out in Rule 2.10, an applicant must satisfy the following conditions in order to be approved:

- (A) Subject to Rule 2.13 the applicant shall be a citizen of the State.
[Broker's Regulation 12(1)]
- (B) The applicant must be of good conduct and behaviour and must not have been imprisoned for a crime of dishonesty or immorality without being rehabilitated.
[Broker's Regulation 12(2)]
- (C) The applicant must not have ceased to pay his or her debts even if not declared bankrupt including a declared bankrupt by a court order which has not been discharged.
[Broker's Regulation 12(3)]

- (D) The applicant must have an offer of full time employment with an ADSM Broker and be a full time practitioner of the profession.

[Broker's Regulation 12(4)]

- (E) The applicant must have tertiary qualifications beyond high school with professional experience of not less than three years in either financial, banking, investment or accounting business.
- (F) The applicant must have attended such training courses as may be prescribed by the board from time to time and have passed the examination prepared by ADSM and approved by the Authority.

[Broker's Regulation 12(6)]

- (G) The applicant must have submitted such other documentation and information to ADSM as the Board may require.

2.13 **Nationalisation**

An applicant who is not a citizen of the State may be considered for registration as a Broker's Representative only if the relevant ADSM Broker has submitted a nationalisation plan to the Authority which has been approved by the Authority.

[Broker's Regulation 12(1)]

2.14 **Acceptance, Rejection or Removal**

- (A) ADSM shall notify in writing an applicant for registration as a Broker's Representative of the acceptance or rejection of the application.
- (B) Upon acceptance of an application and the payment by the relevant ADSM Broker of the fee prescribed by the Board from time to time in respect of registration as a Broker's Representative, ADSM shall enter the name of the applicant in the Register of Broker's Representatives.
- (C) Registration of the Broker's Representative in the Register of Broker's Representatives shall be deemed to be the licence issued by ADSM for the Broker's Representative to undertake his function for the ADSM Broker.

[Broker's Regulation 13]

- (D) Removal of the name of the Broker's Representative from the Register of Broker's Representatives shall be at the discretion of the Board in accordance with the conditions set out in Rule 2.10. Upon the removal of the Broker's Representative's name from the Register of Broker's Representatives, a licence previously issued by ADSM to such a Broker's Representative shall be deemed to have been revoked.

2.15 **Access to Register of Shares**

No person shall have access to the Register of Shares of a Listed Company except the Listed Company, its Registrar or ADSM.