

Investment Management Activity Under Securities and Commodities Authority

The information provided in the slides are taken from relevant SCA Laws, Commercial Company Law and any amendments. This article has been written in general terms and we recommend that you obtain professional advise before acting or refraining from acting on any of the contents of this publication.



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Introduction- Securities and Commodities Authority (SCA)



On January 29, 2000 HH UAE President issued a federal decree to set up a public authority in the UAE's capital, which was called "Securities and Commodities Authority." SCA, which was established by virtue of Federal Law No. (4) of 2000. With its headquarters in Abu Dhabi and a branch office in Dubai.

SCA was established to govern all the stock exchanges, securities and commodities listed in UAE. This includes:

- Abu Dhabi Securities Exchange (ADX),
- Dubai Financial Market (DFM) and
- Dubai Gold and Commodities Exchange (DGFEX) and securities and commodities listed in these markets.

SCA, therefore, regulates the following types of financial institution:

- Brokerage
- Fund Establishment
- Fund and Asset Management
- Fund Promoter
- Promoting and Introducing Financial Services

Fund and asset Management (Investment Management): Management of Securities Portfolios for the account of third parties or the management of Mutual Funds in accordance with investment objectives and policy defined in the investment management agreement signed between the Investment Manager and its clients including individuals, institutions or Mutual Funds.

The investment management activity may only be carried out in UAE after obtaining a license from SCA in accordance with the provisions of The Authority's Board of Directors Decision No. (1) of 2014 concerning the Regulation for Investment Management. Licensing requirement specified in the Directors Decision are:

- The applicant requesting a license must be a corporate person in one of the following forms:
 - **Sole purpose of conducting an Investment Management activity:** A shareholding company established in the State in accordance with the provisions of the Commercial Companies Law No. (2) of 2015.
 - **One of the activities as Investment Management:** A shareholding company established in the State in accordance with the provisions of the Commercial Companies Law No. (2) of 2015 and **one of its activities** is to carry out an Investment Management activity and has a license to operate in the securities field in accordance with the controls issued by the Authority concerning the prevention of conflicts between activities.
 - **Approved by Central bank:** provided that the Central Bank does not object to the performance of such activity in any of these cases.
 - A local bank
 - or a branch of a foreign bank
 - or an investment company licensed by the Central Bank,

- **Branch:**
 - A branch of a company established in a financial free zone in the State
 - or a branch of a foreign company, provided that such branch is licensed to conduct such activity in the relevant financial free zone or the mother state and that is governed by a counterpart supervisory authority, as well as any other terms or conditions determined by the Authority.

Other terms and conditions:

- The paid-up capital must not be less than AED (5,000,000) five million, except for local banks and branches of foreign banks.
- To submit an unconditional and irrevocable bank guarantee, payable upon request in favor of the Authority by a bank operating in the State, with a value of (1,000,000) one million Dirham, to guarantee its obligations to the Authority or those obligations arising from the activity. The bank guarantee shall not be cancelled without the approval of the Authority.
- Pay licensing fees as specified by the Authority.
- Appoint technical and administrative staff required to perform the activity in accordance with the measures issued by the Authority concerning the activity requirements and the adoption of certain roles.
- To provide an adequate premise and the required electronic programs and technical systems for the performance of the activity to ensure its ability to perform its duties and tasks as set by this Regulation.
- Should have an adequate internal control system which guarantees appropriate compliance with the Law, regulations and resolutions issued

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THANK YOU

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