

SCA Initiatives to boost Investors' Confidence

Anna Robinson - Senior PSL (Consultant) - Corporate / Mergers and Acquisitions / Venture Capital and Emerging Companies

a.robinson@tamimi.com - Dubai International Financial Centre



In an event held by the Securities & Commodities Authority

('SCA') under the title "The Role of Financial Markets Institutions in Motivating Investment in Securities" H.E. Dr. Obaid Al Zaabi launched the "Investors Rights in Capital Market" guidelines ('Guidelines') The Guidelines summarise investors' rights and the standard of conduct that they should expect from financial service providers. It is helpful for both investors to understand their rights and persons licensed by the SCA to understand the SCA's expectations of them in the provision of financial services.

The Guidelines list 20 rights to which all investors are entitled when dealing with SCA licenced providers including but not limited to brokerage, trading, investment management, promotion and introductions service providers. In short, the Guidelines provide that a licenced service provider shall:

1. make the investor aware of all rights and duties of the provider and give the investor adequate time to review the terms of the service provider;
2. explain all fees, commissions and costs;
3. maintain the rights of investors and ensure protection of their interests;
4. protect the investors' assets and funds;
5. deal fairly and equally with all clients without any discrimination;
6. provide a high level of customer service;
7. ensure all communication is clear and accurate;
8. disclose and act transparently if any conflicts of interest arise;
9. disclose potential risks in the financial service or product giving the investor adequate time to review the same prior to providing the service or product;
10. ensure equal flow of information to all investors through public disclosure;
11. treat all customers the same regardless of the size of investments;
12. give each investor the right to complain to the SCA;
13. comply with all relevant laws, rules and regulations;
14. ensure suitability of investments proposed in respect of the circumstances of each investor;
15. adopt high levels of efficiency competency and professionalism;
16. adopt integrity, credibility and honest standards;
17. be objective and honest in providing advice and opinions;
18. give priority to the investor's interests over its own;
19. assist in raising the investor's awareness and education regarding the nature of investment in an impartial and professional manner; and
20. maintain confidentiality of information provided by the investor.

The Guidelines do not impose new obligations on financial service providers as their obligations are already contained in regulations issued by the SCA. However, the codification of investors' rights, in an easily accessible and comprehensible document, should motivate investment by establishing trust in the market between licenced providers and investors. Increased trust in the market should lead to increased investments because:

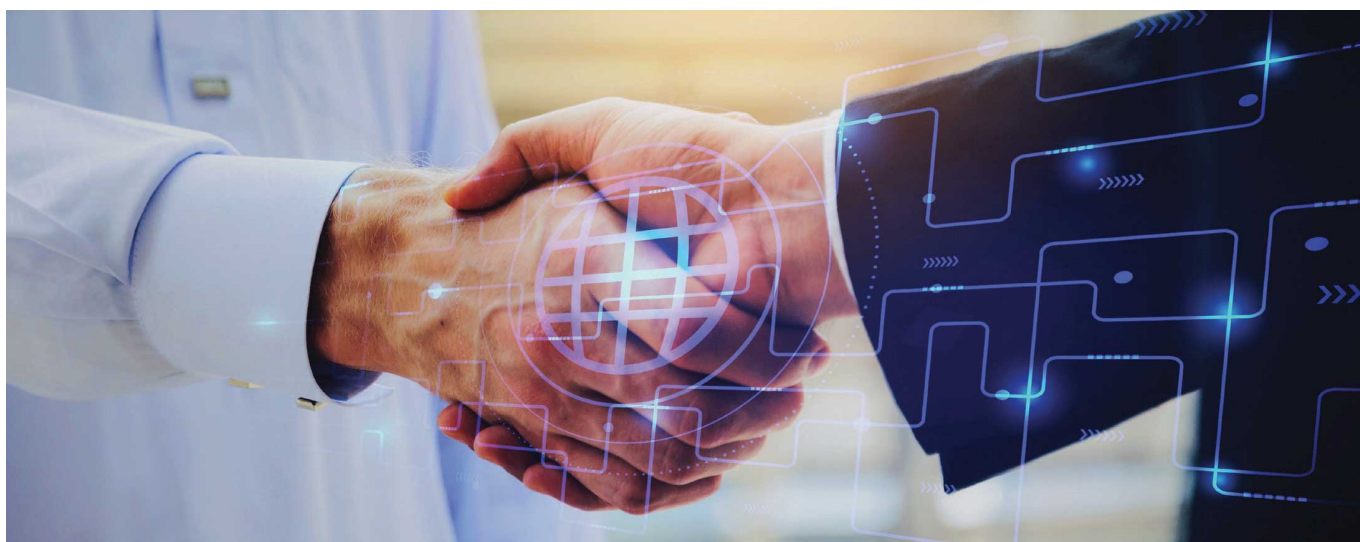
- it reduces the feeling of investor vulnerability;
- protects the integrity of the financial service or product;
- gives investors comfort in the knowledge they have paid the correct price for the service or product; and
- assures investors they have not been the subject of fraud or manipulation.

“This move by the SCA demonstrates the steps it is taking to achieve its mandate of safeguarding the

rights of investors, promoting sound practices, and creating a capital-attractive environment.”

The Modern Investor

The SCA is also taking further steps to make the market more attractive to investors and increase the access investors have to material by providing information and guidance on a number of social media platforms including Youtube, Facebook, Twitter and Instagram. These steps should assist in making the market more accessible to the modern investor. This move, by the SCA, demonstrates the steps it is taking to achieve its mandate of safeguarding the rights of investors, promoting sound practices, and creating a capital-attractive environment.



Al Tamimi & Company's [Equity Capital Markets team](#) regularly advises on investors' rights in Capital Markets. For further information please contact [Anna Robinson \(a.robinson@tamimi.com\)](mailto:a.robinson@tamimi.com) or [Yousef Al Amly \(y.alamly@tamimi.com\)](mailto:y.alamly@tamimi.com).