

PANORAMIC

**INITIAL PUBLIC
OFFERINGS**

United Arab Emirates



LEXOLOGY

Initial Public Offerings

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MARKET OVERVIEW

Size of market

What is the size of the market for initial public offerings (IPOs) in your jurisdiction?

In recent years, the United Arab Emirates (UAE) has been steadily strengthening its position in the global capital markets and in 2023, the Abu Dhabi Securities Exchange (ADX) raised more than US\$5.6 billion in IPO proceeds, which accounted for 56.3 percent of the total proceeds raised in the region. ADX boasts a diverse securities product and service offerings, including 97 listed companies, 13 exchange-traded funds (ETFs), derivatives and others. The UAE has two main stock exchanges, ADX and the Dubai Financial Market (DFM). ADX has been the most active and liquid ETF market platform in the Middle East and North Africa region, with trading values of US\$1.4 billion in 2023, an increase of 160 percent on the previous year. This dynamic growth has contributed to a robust market capitalisation of 2.84 trillion UAE dirhams (US\$765 billion). More than 19,000 institutional investors are currently registered with ADX and close to 43% of its registered investors are from overseas.

Law stated - 8 May 2024

Issuers

Who are the issuers in the IPO market? Do domestic companies tend to list at home or overseas? Do overseas companies list in your market?

The most common issuers in the IPO market are domestic companies incorporated under the Commercial Companies Law or under the rules and regulations of one of the free zone companies. Sometimes, overseas companies also list in the UAE markets.

Law stated - 8 May 2024

Primary exchanges

What are the primary exchanges for IPOs? How do they differ?

There are three exchanges for IPOs in the UAE: ADX, DFM and Nasdaq Dubai (Nasdaq). ADX is the primary exchange for IPO for the companies registered in the Emirate of Abu Dhabi (whether inside or outside the free zones of Abu Dhabi). DFM is the primary exchange for IPO for the companies registered in the Emirate of Dubai (whether inside or outside the free zones of Dubai). Companies registered in the other emirates within the UAE excluding the Emirate of Dubai may list either on ADX or DFM. Nasdaq is the exchange located within the Dubai International Financial Centre (DIFC), which is a financial free zone within the Emirate of Dubai. Only UAE companies that are registered in the DFIC can list on Nasdaq. Nasdaq also allows companies registered outside the UAE to list their shares on Nasdaq.

Law stated - 8 May 2024

REGULATION

Regulators

Which bodies are responsible for rulemaking and enforcing the rules on IPOs?

The Securities and Commodities Authority is the rulemaking authority in respect of the IPOs. However, in relation to IPOs on Nasdaq Dubai within the Dubai International Financial Centre free zone, the regulator is the Dubai Financial Services Regulatory Authority.

Law stated - 8 May 2024

Authorisation for listing

Must issuers seek authorisation for a listing? What information must issuers provide to the listing authority and how is it assessed?

The issuers must seek authorisation for listing from the relevant exchange. The issuer must submit an initial information pack, which includes the financial statements and a brief on the financial performance of the issuer in the previous two years. In case of a green-field issuer, the issuer must submit the feasibility study. The relevant exchange will assess the credibility of the issuer and its financial performance to decide whether or not the listing is feasible and would be permissible.

Law stated - 8 May 2024

Prospectus

What information must be made available to prospective investors and how must it be presented?

The offering prospectus is the main document that the investors will refer to in the context of the IPO. The prospectus must contain the information about the company and its incorporators, the financial performance, the business activities, the full corporate structure as well as organisation chart, the biographies of the directors and executive management team, the size of the offering and number of shares offered to the public, the subscription process and share allocation policy as well as the offering timetable. The summary of the financial statements and the memorandum and articles of association of the issuer should be annexed to the prospectus. Given that the official language of the United Arab Emirates is the Arabic language, the prospectus must be issued in Arabic.

Law stated - 8 May 2024

Publicity and marketing

What restrictions on publicity and marketing apply during the IPO process?

There is no specific restrictions on publicity and marketing during the IPO. However, no publicity and/or marketing could be initiated unless and until the IPO is approved by the Securities and Commodities Authority.

Law stated - 8 May 2024

Enforcement

What sanctions can public enforcers impose for breach of IPO rules? On whom?

There are various types of sanctions that could be applied for breach of the IPO rules. Article 352 of the Federal Decree Law No. 32 of 2021 on Commercial Companies (the Commercial Companies Law) provides for imprisonment and/or fine in case of issuance of securities in violation of the provisions of the Commercial Companies Law. Article 354 of the Commercial Companies Law provides for imprisonment and/or fine in case of misuse, or unlawful disclosure of confidential information of the issuer by the financial adviser, legal adviser, underwriter or any party to the offering process.

The above sanctions are applicable to all parties involved in the IPO process which include the incorporators, advisers (legal, financial or others), underwriters, lead manager, listing adviser or any other participant as defined in the offering regulations.

Law stated - 8 May 2024

TIMETABLE AND COSTS

Timetable

Describe the timetable of a typical IPO and stock exchange listing in your jurisdiction.

The typical time frame is around six months. The initial authorisation by the exchange generally takes two weeks. This is followed by the preparation of the file for submission to the Securities and Commodities Authority, including the prospectus. The negotiation of the prospectus and other document part of the file will take about four weeks of dialogue and discussions with the Securities and Commodities Authority. The offering period itself is around two weeks or any other period determined by the issuer in the prospectus. The listing approval process with the exchange following approval by the Securities and Commodities Authority takes around one week.

The above process is typically preceded by a preparatory phase of around six to eight weeks. Moreover, where the issuer is an existing business, a valuation of the existing assets will be required. Valuation must be conducted by an independent valuer approved by the regulator. Valuation normally takes eight weeks to be completed.

Law stated - 8 May 2024

Costs

What are the usual costs and fees for conducting an IPO?

The Securities and Commodities Authority charges approximately 55,000 UAE dirhams. The listing fees charged by the exchange are calculated as a percentage of share capital. The legal counsel's fee varies from one firm to another. It could range from 1 million to 5 million UAE dirhams depending on the size of the offering and whether the offering is limited to the UAE or includes an international offering also.

Law stated - 8 May 2024

CORPORATE GOVERNANCE

Typical requirements

What corporate governance requirements are typical or required of issuers conducting an IPO and obtaining a stock exchange listing in your jurisdiction?

The Securities and Commodities Authority issued specific regulations in relation the corporate governance that listed companies must adhere to. Such regulations are issued under the mandate granted to the Authority under the Commercial Companies Law. The corporate governance regulations apply

to public joint stock companies but not to free zone companies applying for listing.

The corporate governance requirements can be summarised as follows:

- The company must have a board of directors composed of odd number of members;
- The board must form two mandatory board committees: audit committee and nomination and remuneration committee. The roles and responsibilities of each of these two committees are defined under the corporate governance regulations.
- The directors of the board must be elected by the shareholders in the general assembly meeting using the cumulative vote system.
- Board members must avoid conflict of interests and where conflict arises, the conflicted director must declare the conflict and abstain from voting.

Related-party transactions are subject to certain conditions under the corporate governance regulations to ensure being fair and reasonable, and at arms' length basis.

Law stated - 8 May 2024

New issuers

Are there special allowances for certain types of new issuers?

The current offering regulations do not have special allowances for new issuers.

Law stated - 8 May 2024

Anti-takeover devices

What types of anti-takeover devices are typically implemented by IPO issuers in your jurisdiction? Are there generally applicable rules relevant to takeovers that are relevant?

The most common anti-takeover device used by IPO issuers is to put a maximum amount of subscription to limit the volume of shares that one single investors can acquire through the IPO subscription process. The offering regulations do not put specific anti-takeover rules in the context of IPO. Therefore, it remains up to the issuer to create such devices in the offering prospectus.

Law stated - 8 May 2024

FOREIGN ISSUERS

Special requirements

What are the main considerations for foreign issuers looking to list in your jurisdiction? Are there special requirements for foreign issuer IPOs?

The current offering regulations require that the issuer be registered in the United Arab Emirates (UAE) either onshore under the Commercial Companies Law or offshore in one of the free zones. Foreign issuers cannot undertake an IPO in the UAE. Only Nasdaq Dubai allows foreign issuers to undertake an IPO on Nasdaq without any requirement for local presence within the Dubai International Financial Centre.

Law stated - 8 May 2024

Selling foreign issues to domestic investors

Where a foreign issuer is conducting an IPO outside your jurisdiction but not conducting a public offering within your jurisdiction, are there exemptions available to permit sales to investors within your jurisdiction?

If a foreign issuer is conducting an IPO outside the UAE but not conducting an offering in the UAE, no sale can be done in the UAE of the foreign issuer's securities unless the approval of the Securities and Commodities Authority is obtained. In general, the promotion of such shares can only be conducted by a promoter licensed by the Securities and Commodities Authority.

Law stated - 8 May 2024

TAX

Tax issues

Are there any unique tax issues that are relevant to IPOs in your jurisdiction?

IPOs are not currently subject to any specific tax in the United Arab Emirates (UAE). Therefore, investors investing in public offerings in the UAE do not pay tax on their investments in such offerings.

Law stated - 8 May 2024

INVESTOR CLAIMS

Forums

In which forums can IPO investors seek redress? Is non-judicial resolution of complaints a possibility?

IPO investors can only seek redress before United Arab Emirates (UAE) courts by filing claims against the issuer or the IPO participants, as the case may be. Non-judicial resolution of complaints is possible only if the complainant can reach an amicable settlement with the issuer or the relevant IPO participant, as the case may be.

Law stated - 8 May 2024

Class actions

Are class actions possible in IPO-related claims?

Class actions are not possible in the UAE.

Law stated - 8 May 2024

Claims, defendants and remedies

What are the causes of action? Whom can investors sue? And what remedies may investors seek?

The main cause of action is misleading or fraudulent information contained in the offering prospectus. The investors can sue the incorporators as well as the board of directors who signed off the offering prospectus. The investors can also sue the relevant IPO participant depending on the nature of misleading or fraudulent information. As such, other potential defendants could be the lead manager or the financial adviser. Under the Commercial Companies Law, each IPO participant that signed off the offering prospectus is liable to the extent of its role within the IPO and its specific mandate.

Law stated - 8 May 2024

UPDATE AND TRENDS

Key developments

Are there any other current developments or emerging trends that should be noted?

There have been discussions of an update to the offering regulations. However, there is no clear view or expectation as to when the updated or revised offering regulations will be issued.

Law stated - 8 May 2024