

# Foreign Exchange Traded Funds – ETF's Listing & Disclosure Business Rules

|                   |                     |        |   |
|-------------------|---------------------|--------|---|
| Classification:   | Rules & Regulations | Type:  | English Booklet   |
| Version:          | 2                   | Title: | Foreign Exchange Traded Funds -<br>ETF's Listing & Disclosure Business<br>Rules |
| Pages:            | 9                   | Owner: | Listing and Disclosure Dept   |
| Document<br>Ref.: | Version 2           | Date:  | 16 April 2018   |



# Introduction

Dubai Financial Market ("DFM")'s Board of Directors,

After perusal of the Federal Law No. (4) For the Year 2000 concerning the Emirates Securities and Commodities Authority and Market, as amended,

The Emirate of Dubai Decree No. (14) For the Year 2000 concerning the establishment of the Dubai Financial Market, as amended,

The regulations issued by the Securities and Commodities Authority in accordance with the Federal Law No. (4) For the Year 2000 concerning the Emirates Securities and Commodities Authority and Market, as amended,

Securities and Commodities Authority's Board Decision No. (3/R) of 2001 concerning the Regulation as to the Functioning of the Market;

The Authority's Board of Directors' Decision No. (27) of 2014 concerning the Brokerage in Securities, as amended;

The regulations, decisions and instructions issued by the Board of Directors of the Dubai Financial Market; It is **RESOLVED** to issue the following decision:

## **Article (1)**

### **General Provisions**

1. These rules shall be referred to as "Listing and Disclosure rules for Foreign Exchange Traded Funds" and shall come into force effective the date specified by DFM Board of Directors.
2. These rules shall regulate the listing of foreign ETF's Units on DFM.
3. Units of local ETF's will not be regulated by these rules.



## Article (2) Definitions

In these rules, the following words and phrases shall have the meaning assigned to each of them, unless the context requires otherwise:

|                             |  |
|-----------------------------|--|
| Law                         | Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market.   |
| SCA                         | Securities and Commodities Authority.  |
| DFM                         | Dubai Financial Market   |
| CEO                         | Chief Executive Officer of DFM   |
| ETF                         | An open-ended exchange traded fund that tracks a specified index or a specified basket of assets.  |
| ETF Administrator           | <p>An entity appointed by the ETF Manager who:</p> <ul style="list-style-type: none"><li>A. Accepts and approves creation/redemption orders of units from the authorized participants;</li><li>B. Co-ordinates the operations and reporting responsibilities of the fund;</li><li>C. Values the assets and performs overnight (and possibly intra-day) NAV calculations;</li><li>D. Prepares the accounts of accrued income &amp; expenses;</li><li>E. Publishes the portfolio composition file.</li></ul> |
| ETF Custodian               | <p>An entity appointed by the ETF Manager who:</p> <ul style="list-style-type: none"><li>A. Holds and maintains the assets of the fund;</li><li>B. Is responsible for ensuring that any securities transferred from the Authorized Participant (AP) to the ETF or transferred from the fund to the AP are received or delivered.</li></ul>   |
| ETF Manager                 | <p>An entity appointed by the ETF Manager who:</p> <ul style="list-style-type: none"><li>A. An entity who manages the fund and perform collateral management; and</li><li>B. Ensures that the assets underlying the fund comply with the index or other assets that are being tracked as specified in the prospectus.</li></ul>  |
| Authorized Participant (AP) | An entity appointed by the ETF and authorized by DFM who undertakes the responsibility of creating and/or redeeming units of the ETF.  |



|                                 |   |
|---------------------------------|---|
| NAV                             | Net asset value (NAV) is the value of a fund's asset minus the value of its liabilities per unit calculated at the end of the announced dates.  |
| iNAV                            | Indicative Net Asset Value of the ETF calculated daily at the end of the trading day.   |
| Live iNAV                       | Indicative Net Asset Value of the ETF calculated throughout the trading day.  |
| PCF                             | The published securities basket along with the published cash component is called the portfolio composition file (PCF) and is distributed to Authorized Participant (AP) and market data vendors as well as service providers.  |
| Trading PCF                     | The trading PCF is a confirmation file send to an AP on T+1 Date to confirm his executions the day before.  |
| Creation and Redemption Process | <p>The supply of ETF units are regulated through a mechanism known as creation and redemption.</p> <p>A. Cash Creation and Redemption Process: Cash creation process requires the AP to collect cash from the new buyers to the ETF and submit this cash for the ETF manager to buy the basket of assets. Cash redemption requires the AP to inform the ETF manager of the redemptions requested and the ETF Manager will sell the assets to fund the requested redemptions.</p> <p>B. In-kind Creation and Redemption Process: When creation takes place, an AP assembles the required portfolio of underlying assets and turns that basket over to the ETF in exchange for the newly created ETF units. For redemptions, APs return ETF units to the ETF and receive the basket consisting of the underlying portfolio.</p> |
| ETF Market Making               | The activity that mainly based on the provision of continuous orders for the purchase and sale of ETF units to increase the liquidity of such ETF units in accordance with this Regulation, for maintaining a fair & orderly trading market.  |
| ETF Market Maker                | The corporate person authorized by DFM to engage in ETF Market Making, or a foreign ETF Market Maker registered with the Market.  |



### **Article (3)** **ETF Listing Conditions**

- A. To list the units of an ETF, the following requirements shall be fulfilled:
  - 1. The ETF is incorporated in a foreign jurisdiction recognized by SCA and DFM.
  - 2. The ETF is based on an index, indices or portfolio of securities.
  - 3. The ETF is regulated by a foreign regulator recognized by SCA and DFM.
  - 4. The ETF Manager should be regulated by a jurisdiction that is recognized by SCA and DFM.
  - 5. The ETF has been approved for distribution to the public by the regulator in recognized jurisdiction.
  - 6. Appoint an entity or more, according to SCA regulations to exercise the activity of a market maker to take over the functions of a market maker for Fund units and in accordance with the mechanism determined by the market so as to ensure the provision of liquidity needed to fund units.
- B. If the ETF is established in one of the European Union countries, DFM may not accept listing unless the ETF adheres to "undertakings for collective investments securities regulations (UCITS III)" as amended from time to time.
- C. The ETF will not be listed on DFM unless it gets SCA's approval for the listing and for the distribution to the public.

### **Article (4)** **ETF Prospectus**

The ETF Prospectus must be submitted to DFM and shall include the following information:

- A. Name of the fund
- B. Details of the Fund's ISIN
- C. Fund's objective
- D. Fund's initial capital and number of units
- E. Details of the relevant index / basket
- F. Base Currency
- G. Nominal value of the fund at the time of application.
- H. Proof from regulator in the country of incorporation that the ETF is in compliance with all the legal requirements in that country.
- I. I. Minimum investment required (if applicable)
- J. Fund's investment policy including methods and standards of diversifying its investments, decision making and balancing methodology.
- K. Names of ETF manager, authorized participant, administrator, custodian, investment advisor, external auditors, and market maker (if applicable).



- L. Policy of profit distribution or reinvesting of the these profits
- M. Announcement and calculation dates of NAV
- N. Frequency of iNAV calculations.
- O. Description of the procedure for creating and redeeming units including the basis for converting the shares to units or vice versa.
- P. Conditions that may lead to the liquidation of the fund along with the liquidation procedures.
- Q. Fund's shareholder's rights including corporate actions.
- R. Conditions which necessitate the calling of a general assembly meeting and the authorities of the general assembly.
- S. The provisions and procedures related to amending the articles of association.
- T. All fees including management fees, administrative fees and any other applicable fees.
- U. Name of other Stock Exchanges on which the units are listed (if any).
- V. Description of any stock lending arrangements (if applicable)
- W. Account of market making arrangements
- X. Names of Authorized Participants and the relevant of account of arrangements.
- Y. Details of the agreements signed between the ETF and CSD

## **Article (5)**

### **ETF Listing Requirements**

The following documents should be attached to the listing application form:

- A. The fund's three years audited financial reports or the available financial reports if the fund has been in operation for a period less than three years. Newly established funds are exempted if there are no financial reports issued.
- B. A list of the constituents of the fund along with their weights in the fund.
- C. Names and number of the unrelated securities (if the ETF is a swap-based one).
- D. A summary of the fund's articles of association including all provisions and procedures related to amending the articles of association.
- E. A copy of the prospectus, which has been approved by the regulator in the country of incorporation in English language and a summary of it in Arabic language.
- F. A comprehensive explanation about the risks associated with investing in the ETF.
- G. The effects of taxation legislation on units' holders, where applicable.
- H. A statement signed by Directors of the ETF declaring full responsibility of related information either published or provided to DFM.
- I. All marketing materials must indicate that a prospectus is available.



## **Article (6)** **Swap-Based ETF**

If the ETF is a swap- based, then:

- A. The exposure reset value shall not exceed 5%. DFM CEO may change this ratio by giving a two- week notice.
- B. The ETF Manager shall provide a collateral equal in value to the exposure reset value and shall maintain this collateral as required by the market.
- C. The ETF Manager should publish and inform DFM of any exposure that is not collateralized.
- D. The ETF manager shall manage the collateral and ensure that it covers the exposure at all times.

## **Article (7)** **Listing Approval**

- A. DFM has the right to accept or reject listing of any ETF based on its own discretion without the need to give a justification.
- B. Listing decision is issued by the CEO.

## **Article (8)** **Listing of ETF**

If DFM accepts the listing of the units of the ETF, then the ETF should do the following:

- A. Publish a summary of the prospectus and article of association including the information mentioned in article (5) in two local newspapers in English and Arabic Languages.
- B. Submit the units' register to DFM as per DFM template to hold the register for units' holders.

## **Article (9)** **Obligations of the Fund**

Before trading the ETF units, The ETF shall sign an undertaking to comply with:

- A. SCA and DFM rules governing such listing and trading.
- B. Any new rules that may be issued by SCA or DFM to regulate Foreign ETF's.



## **Article (10)**

### **ETF Financial Submission Requirements**

The ETF shall provide SCA and DFM with the following periodic reports:

- A. Quarterly financial report reviewed by a certified auditor within thirty days after the end of the relevant quarter.
- B. Annual financial report audited by a certified auditor within four months after the end of its fiscal year.

The reports mentioned in paragraph (A & B) of this article shall be prepared according to International Financial Reporting Standards (IFRS).

## **Article (11)**

### **ETF Reporting Requirements**

The ETF shall provide or make available to DFM on a daily and monthly basis the following information:

- A. The aggregate number of units created during the current fiscal year.
- B. The aggregate number of units redeemed during the current fiscal year.
- C. The assets underlying the ETF at the date of the report.
- D. Any changes in the index or portfolio tracked by the ETF.
- E. Portfolio composition file required to calculate iNAV in a format acceptable by DFM.
- F. Monthly fund performance within 5 days from the end of each month.

## **Article (12)**

### **ETF Material Information Disclosure**

The ETF shall immediately disclose to its units' holders, SCA and DFM any information that materially affects the ETF, for example and without limitation:

- A. Any material change to any investment policies relating to the ETF made in accordance with the articles of association of the ETF.
- B. Any decision to liquidate the ETF made in accordance with the articles of association of the ETF.
- C. Any legal actions brought by or against the ETF which may have material effect on the financial position or activities of the ETF.

## **Article (13)**


These rules shall come into force from the day following their issuance by the DFM Board of directors.


**H.E. Essa Kazim**  
**Chairman**




#### Contact Us:

Listing & Disclosure Department  
Operations Division  
T: +971 4 305 5673  
E: [Disclosure@dfm.ae](mailto:Disclosure@dfm.ae)

 @DFMalerts

 @dubaifinancialmarket

 Dubai Financial Market

#### Disclaimer:

The information provided in this document (“Information”) is provided by way of general information and comment only. While reasonable care has been taken in producing this Information, changes in circumstances may occur at any time and may impact on the accuracy of the Information. The Information does not constitute professional advice or provision of any kind of services and should not be relied upon as such. Neither Dubai Financial Market (“DFM”) nor Nasdaq Dubai Limited (“Nasdaq Dubai”) and/or their affiliates, officers or employees, give any warranty or representation as to the accuracy, reliability, timeliness or completeness of the Information now or in the future. Neither of DFM or Nasdaq Dubai shall be liable for any loss suffered, directly or indirectly by any person acting in reliance upon the Information contained herein.

No part of the Information provided is to be construed as a solicitation to make any financial investment. Information, including forecast financial information and examples should not be considered as a recommendation in relation to holding, purchasing or selling securities or other instruments. The information does not take into account any investor’s individual investment objectives, financial position and particular investment needs. As such, before making any decision, investors should conduct their own due diligence and consult their financial advisors. The performance of trading securities or instruments is not guaranteed and past performance is not an indication of future performance. Unless otherwise stated, DFM and Nasdaq Dubai own copyright in the Information contained herein. The Information may not otherwise be reproduced and must not be distributed or transmitted to any other person or used in any way without the express approval of DFM and Nasdaq Dubai.

