

Cabinet Resolution No. (36) of 2022 Regulating the Activity of Operating a Crowdfunding Platform

The Cabinet,

Having reviewed:

- The Constitution;
- Federal Law No. (4) of 2000, on the Emirates Securities and Commodities Authority and Market, as amended;
- Decree-Law No. (32) of 2021, on Commercial Companies;
- Cabinet Resolution No. (11) of 2000, on the Market License and Control Regulations;
- Cabinet Resolution No. (13) of 2000, on the Rules of Procedure of the Securities and Commodities Authority, as amended; and
- Based on the Proposal of the Chairman of the Securities and Commodities Authority, and the Cabinet's approval thereof,

Hereby resolves as follows:

Article (1) Definitions

For the purpose of applying the provisions of this Resolution, the following words and expressions shall have the meanings assigned thereto respectively, unless the context requires otherwise:

- State** : The United Arab Emirates.
- The SCA** : The Securities and Commodities Authority.
- Board** : The SCA Board of Directors.
- Market** : A stock market licensed by the SCA in the State.
- Rulebook** : The Rulebook of Financial Activities issued by the SCA.
- Crowdfunding** : A funding mechanism that enables a fund seeker to collect amounts from investors for the purpose of funding his project via the Platform, in return for capital shares of a company incorporated or to be incorporated for implementing such project.
- Platform** : A programmed electronic operating system that displays

	crowdfunding requests.
Fund Seeker	: A natural or legal person seeking crowdfunding via the Platform.
Operator	: A legal person licensed to carry on the business activities of crowdfunding platform operator, pursuant to the provisions of this Resolution.
Material Change	: An incident or change experienced by the Fund Seeker in terms of its activity, assets, obligations, ownership structure and other changes affecting rights or investment objectives of investors or causing harm to them.
Professional Investor or Counterparty	: A natural or legal person that is able to self-manage its own investments according to the Rulebook.

Article (2) Scope of Application

The provisions of this Resolution shall apply to all persons and procedures related to the Crowdfunding in the State, including free zones.

Article (3) Entities Prohibited from Seeking Crowdfunding

The entities mentioned below shall be prohibited from seeking Crowdfunding via the Platform:

1. Joint-stock companies;
2. Mutual funds;
3. Entities engaging in activities within the securities, insurance or banking sector;
4. Companies intending to use the crowdfunding to grant loans or invest in other existing companies; and
5. Repealed by Cabinet Resolution No. (139) of 2023 Amending Certain Provisions of Cabinet Resolution No. (36) of 2022 Regulating the Activity of Crowdfunding Platform's Operator.

Article (4) License of the Operator

1. The business activities of crowdfunding platform's operator may only be practiced in the State after obtaining a license from the SCA.
2. In order to get a crowdfunding platform operator license, the following conditions shall be fulfilled:
 - a. The license applicant shall be a Market licensed by the SCA, a company incorporated in the State pursuant to the laws in force, or any other legal form approved by the SCA;
 - b. The paid-up capital of the license applicant shall not be less than (AED 1,000,000) one million dirhams;
 - c. The fees prescribed by the SCA to practice the crowdfunding platform operator's business shall be paid; and
 - d. Fulfilling the requirements established in the Rulebook. If the license applicant is a Market licensed by the SCA, it shall be exempt from such requirements; provided that the provisions of the license term and renewal shall apply thereto.

Article (5) Operator's Obligations vis-a-vis the SCA

The Operator shall have the following obligations towards the SCA:

1. Conclude an agreement with the Fund-Seeker, which sets out the rights and obligations of both parties and communication channels between them, in such a manner that does not conflict with this Resolution.
2. Refrain from funding, assisting or inducing any investor to invest in the funding requests submitted to the Platform or negotiate over the conditions thereof, prefer one investor over another or induce an investor to exclusively invest in certain funding requests.
3. Refrain from investing in funding requests on behalf of the investor.
4. Refrain from making an investment exceeding (10 %) of any project presented to the Platform.
5. Place funding requests related to it or to any of its parent companies, subsidiaries or affiliates on the Platform only after obtaining the SCA's approval and according to its applicable conditions and procedures.
6. Avoid restricting the funding requests to certain investment sectors to avoid risks of investment concentrations.

7. Disclose the following information via the Platform:
 - a. General information of the Operator, including without limitation, names of its owners, legal form, capital, board members and Crowdfunding Platforms managed by it;
 - b. Whether the Operator or its board chairman and members, executive management and any of its personnel or partners own any shares of the Funding Seeker's capital, as well as any conflict of interests between any of them with investors or Fund Seekers and how to manage the same;
 - c. Minimum and maximum investment in the Platform and funding requests;
 - d. Rights of investors;
 - e. Fees payable by the investor to the Operator for the investment via the Platform;
 - f. The agreed procedures to be taken in case of the Fund Seeker's breach or non-compliance;
 - g. Information related to the Platform and its nature, functioning mechanism, operation, services and risks; and
 - h. Any other disclosures required by the SCA.

Article (6) Operator's Obligations vis-à-vis Investors

The Operator shall have the following obligations vis-à-vis the investors:

1. Conclude an agreement with the investor according to the conditions set forth in the Rulebook, including, in particular, the information related to the investment in funding requests and a proof confirming the investor's acknowledgment of being aware of the investment risks, including the impermissibility to sell or assign shares to other investors after the company is incorporated except in pursuance of the laws applicable in the State.
2. Disclose to the investors their rights to retract their investment decisions and the mechanisms of withdrawal from projects funded by them via the Platform after investing in and implementing such projects, along with clarifying that the withdrawal is likely to be difficult, pursuant to the provisions of this Resolution.
3. Disclose to the investors the mechanisms of receiving the dividends generated from their investments or which are payable to them by the Fund Seeker;
4. Make the investor aware of how to invest via the Platform and the type of investment

offered to them.

5. Make sure that the investments of the investor, except for the Professional Investor or Counterparty, within a 12-month timespan do not surpass the following amounts:
 - a. An amount of (AED 30,000) - thirty thousand dirhams - per Fund Seeker for all requests offered by him on the Platform.
 - b. An amount of (AED 100,000) – one hundred thousand dirhams - for all funding requests offered on the Platform.
6. The transactions posted on the Platform shall only be limited to pooling funds for the purpose of incorporating a company or increasing the capital of an existing company, the sale or assignment of company's shares, following the incorporation date, shall only be made to other investors via the Platform.
7. Retain the investors' funds deposited by them in an escrow bank account designated for that purpose with a bank licensed in the State or a foreign bank licensed outside the State in accordance with the controls issued by the Authority, until the proposed offer period expires or the offer is closed to complete the required funding..
8. Keep its own bank accounts separated from its bank accounts related to investors' funds (escrow accounts) upon disclosing the bank balances in both its financial statements and the notes thereto.
9. Transfer the pooled amounts to the Fund Seeker within the period mutually agreed, after completing the requested funding pursuant to the provisions of this Resolution, and after making sure and verifying that the Fund Seeker has implemented its obligations established according to the procedures applicable in the State and has performed all procedures of incorporation or capital increase with the competent authorities in the State.
10. Establish procedures to ensure that the Fund Seeker implements their obligations vis-à-vis the investors, including completing the procedures of their acquiring ownership of shares.
11. Close the offer once the maximum amount of funding sought is completed, even if the offer period proposed by the Fund Seeker has not expired, and ensure that the pooled funds do not exceed the maximum target amount.
12. Refund the funds to the investor within (5) five business days in the following cases:

- a. As of the expiry date of the offer without covering the minimum target amount, unless the Fund Seeker is satisfied with the pooled amount;
 - b. As of the date on which the Fund Seeker fails to fulfill its obligations or a material change occurs with them during or after the offer period;
 - c. As of the date of cancelling the funding request;
 - d. As of the date on which the pooled funds exceed the maximum target amount for surplus amounts only; or
 - e. As of the date on which the investor retracts its investment decision, pursuant to the provisions of this Resolution.
13. Make sure that no material change has affected the funding request, the Fund Seeker or the project itself.
 14. Publish the action plan and the financial and economic feasibility of the project related to the funding request on the Platform, and make sure that the same is specific and clear and that all documents and procedures related thereto are valid.
 15. Publish the Fund Seeker's information and the channels of communication with them, as well as its former projects funded through the platform and their performance, on the Platform at least (14) fourteen days prior to the date of allowing investors to invest in the project.
 16. Make available credit information to the Fund Seeker and its board chairman and members in case the Fund Seeker is a legal person; provided that such information is issued by Etihad Credit Bureau Company or the competent authority in case of a foreign person.
 17. Publish the Fund Seekers' disclosures on the Platform and retain and verify the validity and accuracy of such disclosures.
 18. Promptly disclose on the Platform any errors, misleading information or details or investment risks related to the Fund Seeker or their projects and investments.
 19. Immediately inform the investor if the Fund Seeker decides that it is satisfied with the pooled amount following the expiry of the offer period without covering the minimum amount required within the deadlines specified by the SCA.
 20. Make sure that no means of fraud, deception or harm is committed against the investors by the Fund Seeker.

21. Reject the Fund Seeker's request to make an offer on the Platform, or remove its offer from the Platform if it is found that the funding request prejudices the interests of investors or violates the provisions of this Resolution or any of the laws applicable in the State.
22. Refrain from giving any advice to investors, negotiate over the funding offered on the Platform or announcing any funding requests through crowdfunding platforms owned by it outside the State in accordance with the conditions stipulated by the Authority.

Article (7) Obligations of the Fund Seeker

The Fund Seeker shall:

1. Obtain from Competent Authorities initial approvals necessary for its project intended to be offered on the Platform;
2. Promptly disclose, throughout the funding request period and according to the Operator's procedures, the below information:
 - a. All information related to the Fund Seeker or their management, financial statements, business plan, objective of the project, the maximum and minimum amount sought for the project and the proposed offer period, which shall not exceed (15) fifteen business days but may be extended for the same period in accordance with the procedures of the Operator and without prejudice to interests of investors;
 - b. Any details, information, errors or material changes related to the Fund Seeker or its projects;
 - c. Benefits and any potential or foreseeable investment risks; and
 - d. Mechanism and procedures of investors' withdrawal, pursuant to the laws applicable in the State;
3. Refrain from presenting the funding request at the same time on more than one platform, and refrain from collecting any funds related to the funding request displayed on the platform by any means outside the platform;
4. The total funding requests of the fund seeker and associated entities, i.e. parent company, subsidiary, affiliated company or allied company, shall not exceed an amount of (15) fifteen million UAE dirhams over the company's term, and the SCA may adjust the amount specified in this provision in accordance with the requirement of the public interest.
5. Pay the fees due to the Operator; and

6. Implement the purpose of the funding request by starting the procedures for establishing a company or increasing the capital of an existing company in accordance with the provisions of the Commercial Companies Law after (5) five working days from the date of the end of the offer period - whether the required funding has been collected or the amount collected is considered sufficient - or by closing the offer once the maximum funding required has been completed.

Article (8) Rights of the Operator, Investor and the Fund Seeker

1. The Operator shall be paid a fee by the Fund Seeker to enable them to offer any of their requests on the Platform according to the agreement concluded between them.
2. The Fund Seeker may reoffer the funding request on the Platform, be satisfied with the amount pooled or cancel the funding request in the following cases:
 - a. In case the investor retracts his investment decision;
 - b. The investor fails to pay the funding amount following the expiry of the time limit given to him; or
 - c. Expiration of the offer period without covering the minimum target amount.
3. The investor may retract his investment decision and recover the funding amount he had deposited in any of the following cases:
 - a. At any time throughout the offer period;
 - b. Within a time limit not exceeding (5) five business days from the date of completing the sought funding amount;
 - c. Within a time limit not exceeding (5) five business days in case the Fund Seeker or the Operator discloses any data, information, errors or material changes related to the funding request or the Fund Seeker or their projects throughout the offer period;
 - d. Within a time limit not exceeding (5) five business days from the date on which the Operator discloses the Fund Seeker's decision and the pooled amount is deemed satisfied;
 - e. Within a period not exceeding (5) five business days following the date of extending the proposed offer period; and in which case, the investor shall also be paid the fees already paid by him; and
 - f. Any other cases decided by the SCA.

Article (9) Control and Inspection

1. The SCA may take all necessary actions for supervision, control and inspection purposes, in accordance with the controls and resolutions issued by it in this regard.
2. The SCA may establish the controls, limitations or procedures necessary for applying this Resolution, so as to avoid any legal, technical or operational risks.
3. The SCA shall have the competence to receive complaints related to the operator activity, in accordance with the controls and resolutions issued by it in this regard. The SCA may investigate any violations detected by the inspection process or contained in complaints received by the SCA.

Article (10) Penalties

1. If the provisions of this Resolution or the regulations, resolutions, controls or circulars issued in implementation hereof are violated, the SCA may impose any of the following penalties:
 - a. Serve a warning upon the violator;
 - b. Impose a fine on the violator of not less than (AED 100,000) one hundred thousand dirhams and not more than (AED 1,000,000) one million dirhams, plus a fine equivalent to profits realized or losses avoided by the violator; or
 - c. Suspend the Operator from practicing the activity, revoking the Operator's license or imposing penalties on its employees, in accordance with Chapter I of the Rulebook of Financial Activities issued by the SCA.
2. The SCA may invalidate the funding transactions made in violation of the laws, resolutions or circulars issued in this regard, and may order that the initial situation be restored to its former state without prejudice to the rights of bona fide third parties.

Article (11) Executive Resolutions

The SCA shall issue the resolutions, circulars and forms necessary for implementing the provisions of this Resolution.

Article (12) Publication and Entry into Force

This Resolution shall be published in the Official Gazette, and shall enter into force (60) sixty days following its publication date.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by Us

Dated: 10th Ramadan 1443 AH,

Corresponding to: 11th April 2022 AD